A Quebecor Media Company

ANNUAL FINANCIAL RESULTS ENDED
DECEMBER 31ST, 2009

TVA GROUP INC.

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MESSAGE TO THE SHAREHOLDERS

Montreal, March 8, 2010

TVA Group Inc. (“the Company”) recorded net income of $21.1 million, or $0.89 per share, for the last quarter of 2009, compared with $14.5 million, or $0.61 per share, in the corresponding quarter of 2008. Excluding the adjustment related to Canadian Radio-television and Telecommunications Commission (CRTC) Part II licence fees, the Company’s operating income[1] was relatively stable at $23.2 million in the fourth quarter of 2009, compared with $22.4 million in the same quarter of 2008.

Fourth quarter operating highlights:

- The Television sector’s normalized operating income[1] increased by $4.8 million or 24.6% compared with the same quarter of 2008, mainly because of the following factors:
  - a 22.6% increase in the TVA Network’s normalized operating income due to slight 1.0% growth in advertising revenues, creation of Local Programming Improvement Fund, and a 2.7% decrease in operating expenses, excluding the adjustment related to CRTC Part II licence fees;
  - increased normalized operating income at the specialty channels, particularly “Mystère” and “LCN”; and
  - increased operating income from our Internet activities.
- 6.1% decrease in the Publishing sector’s operating income, which declined from $1.9 million in the fourth quarter of 2008 to $1.8 million in the same quarter of 2009.
- Operating loss of $2.8 million in the Distribution sector, compared with operating income of $1.1 million in the fourth quarter of 2008.

As a result, the Company’s consolidated operating income increased 43.8% to $32.2 million, compared with $22.4 million in the same quarter of 2008.

While we are posting positive results, the potential for future growth in advertising revenues, which still account for close to 75% of the Television sector’s revenues, is severely limited in view of the economic environment and current market trends. Driven by its original programming and news coverage, the TVA Network achieved a 28.3% market share for the period of September 7 to December 13, 2009 and boasted the 10 top-rated programs in Québec (Source: BBM People Meter, all two years and over). Our specialty services continued their growth with a 19.4% increase in operating revenues and a 38.7% increase in operating income.

The Publishing sector’s advertising revenues decreased by 8.2% in the fourth quarter compared with the same quarter of 2008. However, stringent control of operating costs helped us maintain a 9.8% profit margin, almost identical to the 9.7% profit margin reported in the same quarter of 2008, while continuing to protect our market share.

1. See definitions below.

Cash flows from operating activities were $10.7 million for the fourth quarter, against $15.9 million for the same quarter of 2008. The decrease was essentially due to the net change in non-cash working capital items, mainly in accounts receivable.

Growth in fiscal 2009

For the fiscal year ended December 31, 2009, the Company's consolidated operating income was $80.0 million, compared with $66.0 million for the previous fiscal year, a 21.3% increase. Adjustments made over the past two years in connection with disputed regulatory fees account for a large portion of this increase. For the same period, the Company generated net income of $49.1 million, or $2.05 per share, compared with $44.9 million, or $1.78 per share, in 2008.

The Company

TVA Group Inc., a subsidiary of Quebecor Media Inc., is an integrated communications company involved in television, the production and distribution of audiovisual products, and in magazine publishing. TVA Group Inc. is one of the largest private sector producers and the largest private sector broadcaster of French-language entertainment, information and public affairs programming, and magazine publishing in North America. TVA Group Inc. also operates SUN TV, a conventional station in Toronto. The Company's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

The audited consolidated financial statements with notes and the annual Management's Discussion and Analysis can be consulted on TVA Group Inc.'s Web site at: www.tva.canoe.ca.

Definitions

Operating income or operating loss

In its analysis of operating results, the Company defines operating income (loss) as earnings (loss) before amortization, financial expenses, operational restructuring costs, income taxes, non-controlling interest and equity in income of companies subject to significant influence. Operating income (loss) as defined above is not a measure of results that is consistent with Canadian Generally Accepted Accounting Principles ("GAAP"). Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Operating income (loss) is used by the Company because management believes it is a meaningful measure of performance.

This measure is commonly used by senior management and the Board of Directors to evaluate the consolidated results of the Company and the results of its sectors. Measurements such as operating income and operating loss are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is active. The Company's definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

Normalized operating income (loss)

Normalized operating income (loss) is defined as operating income adjusted for adjustments related to CRTC Part II licence fees. Normalized operating income (loss) presents operating results had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Management believes that normalized operating income is a meaningful measure of performance. The Company's definition of normalized operating income (loss) may not be identical to similarly titled measures reported by other companies.

For a reconciliation of operating income and normalized operating income to the net income measure used in the Company’s financial statements, please refer to our Management's Discussion and Analysis for the financial year ended December 31, 2009, available on the www.sedar.com and www.tva.canoe.ca websites.

Pierre Dion
President and Chief Executive Officer

Consolidated Financial Statements of

TVA GROUP INC.

For the years ended December 31, 2009 and 2008

AUDITORS' REPORT

To the shareholders of TVA Group Inc.

We have audited the consolidated balance sheets of TVA Group Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP[1]

Montréal, Canada
February 11, 2010 — Chartered Accountants

[1] CA auditor permit no. 19483

TVA GROUP INC.
Consolidated Statements of Income

Years ended December 31, 2009 and 2008
(in thousands of dollars, except per share amounts)

	2009	2008 *Restated (note 1(b))*
Operating revenues *(notes 18 and 20)*	$438,969	$436,723
Operating, selling and administrative expenses *(notes 18 and 20)*	358,942	370,773
Amortization of property, plant and equipment and intangible assets *(notes 11 and 12)*	14,274	13,468
Financial expenses *(note 3)*	2,960	1,760
Restructuring costs of operations *(note 4)*	(794)	184
Income before income taxes, non-controlling interest and share of income of companies subject to significant influence	63,587	50,538
Income taxes *(note 5)*	17,098	8,317
Non-controlling interest	(1,906)	(1,802)
Share of income of companies subject to significant influence	(728)	(889)
Net income	$49,123	$44,912
Basic and diluted earnings per share *(note 16)*	$2.05	$1.78

Consolidated Statements of Comprehensive Income

Years ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008 Restated *(note 1(b))*
Net income	$49,123	$44,912
Gain (loss) on derivative financial instrument *(note 22)*	434	(434)
Income taxes related to derivative financial instrument	(130)	130
Comprehensive income	$49,427	$44,608

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

Consolidated Statements of Retained Earnings

Years ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008 Restated *(note 1(b))*
Balance, beginning of year, before restatement	$99,101	$95,610
Cumulative effects of changes in accounting policies *(note 1(b))*	(590)	(698)
Balance, beginning of year, restated	98,511	94,912
Net income	49,123	44,912
Adjustment to transactions with related companies *(note 10)*	(7,247)	-
Dividends paid	(4,786)	(5,105)
Share redemption – excess of purchase price over net carrying amount *(note 16)*	(1,298)	(36,208)
Balance, end of year	$134,303	$98,511

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

Consolidated Balance Sheets

December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008 Restated *(note 1(b))*
Assets		
Current assets		
Cash	$1,924	$5,262
Accounts receivable *(note 8)*	121,593	104,399
Programs, broadcast and distribution rights and inventories *(note 9)*	54,774	57,221
Prepaid expenses and other current assets *(note 21)*	4,754	2,664
Future income tax assets *(note 5)*	4,818	2,363
	187,863	171,909
Broadcast and distribution rights *(note 9)*	38,950	31,727
Investments *(note 10)*	11,637	32,148
Property, plant and equipment *(note 11)*	79,123	77,355
Future income tax assets *(note 5)*	280	80
Accrued benefit asset *(note 19)*	8,900	8,489
Licences and other intangible assets *(note 12)*	86,789	80,950
Goodwill	71,981	71,981
	$485,523	$474,639
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft	$974	$147
Accounts payable and accrued liabilities *(notes 13 and 19)*	88,706	98,063
Broadcast and distribution rights payable	28,611	24,400
Deferred revenues	7,401	7,573
	125,692	130,183
Long-term debt *(note 15)*	88,580	93,705
Future income tax liabilities *(note 5)*	28,951	31,342
Other long-term liabilities *(note 14)*	5,205	5,571
Non-controlling interest and redeemable preferred shares *(note 10)*	-	11,656
	248,428	272,457
Shareholders' equity		
Capital stock *(note 16)*	98,647	99,930
Contributed surplus *(notes 2 and 20)*	4,145	4,045
Retained earnings	134,303	98,511
Accumulated other comprehensive income	-	(304)
	237,095	202,182
Commitments, guarantees and contingencies *(note 21)*		
	$485,523	$474,639

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed)
Jean Neveu, Chairman of the Board

(signed)
Marc A. Courtois, Director

TVA GROUP INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008 Restated *(note 1(b))*
Cash flows provided by (used in) operating activities		
Net income	$49,123	$44,912
Non-cash items		
Share of income of companies subject to significant influence	(728)	(889)
Amortization *(notes 3, 11 and 12)*	14,418	13,556
Future income taxes *(note 5)*	(3,984)	(3,180)
Non-controlling interest	(1,906)	(1,802)
Other	(411)	(624)
Cash flows from current operations	56,512	51,973
Net change in non-cash items *(note 7)*	(27,402)	(6,380)
	29,110	45,593
Cash flows provided by (used in) investing activities		
Additions to property, plant and equipment	(16,261)	(17,113)
Additions to intangible assets	(6,710)	(4,768)
Business disposal (acquisition) *(note 2)*	105	(105)
Net change in investments *(note 10)*	11,977	(263)
	(10,889)	(22,249)
Cash flows provided by (used in) financing activities		
Net change in bank overdraft	827	(2,288)
(Decrease) increase in revolving term loan *(note 15)*	(78,907)	37,501
Term loan *(note 15)*	75,000	–
Deferred financing costs *(note 15)*	(1,362)	–
Redemption of redeemable preferred shares *(note 10)*	(9,750)	–
Share redemption *(note 16)*	(2,581)	(51,415)
Dividends paid	(4,786)	(5,105)
	(21,559)	(21,307)
Net change in cash	(3,338)	2,037
Cash, beginning of year	5,262	3,225
Cash, end of year	$1,924	$5,262

See accompanying notes to consolidated financial statements.

TVA Group Inc. (the "Company"), incorporated under Part 1A of the *Companies Act* (Québec), is primarily engaged in television broadcasting, specialty magazine publishing and televisual product and film distribution.

1. Significant accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation.

Certain comparative figures for the year ended December 31, 2008 have been reclassified to conform to the presentation adopted for the year ended December 31, 2009.

(b) Changes in accounting policies

On January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets*, of the Canadian Institute of Chartered Accountants ("CICA") *Handbook*, which supersedes Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development Costs*, and Emerging Issues Committee EIC-27*, Revenues and Expenditures During the Pre-operating Period*, and amends Accounting Guideline AcG-11, *Enterprises in the Development Stage*. The new Section provides standards for the recognition of intangible assets in accordance with the definition of an asset based on the criteria for asset recognition, and clarifies the application of the concept of matching revenues and expenses for acquired or internally generated intangible assets. This new Section was applied retroactively with restatement of prior periods. Subsequent to the adoption of this Section, the Company reclassified the net carrying amount of its software from property, plant and equipment to intangible assets and wrote off the unamortized balance of deferred start-up costs for specialty channels included under Other assets as well as the related future tax liabilities. These balances were written off through an adjustment to opening retained earnings. Net income for the year ended December 31, 2008 was also restated to recognize start-up costs for specialty channel Les Idées de ma maison, launched in February 2008, as operating, selling and administrative expenses, to reverse the amortization expense for deferred start-up costs for specialty channels and adjust the future tax expense related to these items. This resulted in the following adjustments being recognized in the consolidated financial statements:

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

1. Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Consolidated Balance Sheets

Increase (decrease)	December 31, 2008	January 1, 2008
Property, plant and equipment	$(11,235)	$(8,187)
Intangible assets	11,235	8,187
Other assets	(854)	(1,020)
Long-term future income tax liabilities	(264)	(322)
Retained earnings	(590)	(698)

Consolidated Statement of Income

Increase (decrease)	Year ended December 31, 2008
Operating, selling and administrative expenses	$352
Amortization of deferred start-up costs	(518)
Future income tax expense	58
Net income	$108
Basic and diluted earnings per share	$0.01

In June 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*. This standard was amended to introduce new financial disclosure requirements, particularly regarding the fair value of financial instruments and liquidity risk exposures. The Company adopted the amendments to this standard as at December 31, 2009. The new requirements set out in this Section are discussed in note 22 to these consolidated financial statements. The adoption of these amendments did not have a significant effect on the consolidated financial statements.

1. Significant accounting policies (continued)

(c) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. Assets, liabilities, revenue and expense items, as well as the disclosure of contingent assets and liabilities are determined based on these estimates and assumptions. Financial statement items that require more extensive use of estimates include: assets and liabilities arising from employee pension plans and other post-retirement benefits; key economic assumptions used to determine the allowance for doubtful accounts; expected use of broadcast rights; future estimated revenues and the expected net realizable value of broadcast rights; estimated future net revenues from distribution rights; provisions for restructuring costs of operations; the useful life of assets for purposes of calculating amortization; purchase price allocations for business combinations; tests for impairment of goodwill, intangible assets and property, plant and equipment; stock-based compensation; provisions for income taxes; components of future income tax assets and liabilities; and the fair value of financial instruments. Actual results could differ from those estimates.

(d) Tax credits and government assistance

The Company is eligible for several government programs designed to support televisual product programming and production, film distribution, magazine publishing in Canada and investment projects. Government assistance is recorded in revenues as a reduction of the related expenses or the cost of property, plant and equipment in the year in which the costs are incurred, provided that the conditions attached to such assistance programs have been met.

Assistance under the Local Programming Improvement Fund (LPIF) is recorded in operating revenues, whereas assistance for television productions is recorded as a reduction of production costs, which are reported in operating, selling and administrative expenses. In the publishing segment, government assistance for content production is accounted for as deferred revenue and is amortized during the year in which the Company meets the government assistance requirements. Government assistance for magazine distribution is accounted for as a reduction of the related expenses.

1. Significant accounting policies (continued)

(d) Tax credits and government assistance (continued)

Government assistance for film distribution is subject to specific conditions with respect to distribution operations; if the Company fails to comply with these conditions, it may be required to repay the assistance in whole or in part. The non-refundable portion of the government assistance for marketing costs is accounted for as reduction of such costs. The refundable portion is accounted for as an advance and is repayable in whole or in part when the film reaches a certain level of profitability. If the film fails to reach the expected revenue levels, all or part of such advances would not be refundable by the Company and would be accounted for as a reduction of the Company's operating expenses.

(e) Programs, broadcast and distribution rights and inventories

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Programs and productions produced and in progress

Programs and productions produced and in progress relate to television activities and the distribution of audiovisual content. Programs and productions produced and in progress are accounted for at the lower of cost and net realizable value. Costs include direct charges for goods and services and the share of labour and general expenses relating to each program or production. Net realizable value represents estimated future revenues, less the estimated future operating costs related thereto. The cost of each program and production is charged to operating, selling and administrative expenses when the program or production is broadcast and, for distribution, when recognition conditions are met.

1. Significant accounting policies (continued)

(e) Programs, broadcast and distribution rights and inventories (continued)

Broadcast rights and broadcast rights payable

Broadcast rights are essentially contractual rights allowing limited or unlimited broadcasting of televisual products or films. The Company records broadcast rights acquired as an asset and records obligations incurred under broadcast rights acquisition contracts as a liability when the broadcast period begins and the following conditions have been met:

(i) The cost of each program, film or series is known or can be reasonably determined.

(ii) The programs, films or series have been accepted by the Company in accordance with the conditions of the acquisition contract for broadcast rights.

(iii) The programs, films or series are available for their initial broadcast.

Before the above asset recognition conditions have been met, the amounts paid for broadcast rights are included under broadcast rights as prepaid broadcast rights.

Broadcast rights are classified as short term or long term based on management's estimate of the broadcast period.

The broadcast rights are recognized in operating, selling and administrative expenses upon broadcast over the contract period based on the estimated number of showings and using a method based on estimated future revenues. Broadcast rights are valued at the lower of cost and net realizable value.

Net realizable value represents estimated future revenues from the broadcast of programs, less the estimated future operating costs related thereto.

Broadcast rights payable are classified as current or long-term liabilities based on the payment terms set out in the acquisition contract.

1. Significant accounting policies (continued)

(e) Programs, broadcast and distribution rights and inventories (continued)

Distribution rights and distribution rights payable

Distribution rights relate to the distribution of televisual products and films. Costs include the cost of film acquisition rights and the costs incidental to such rights. The net realizable value of the distribution rights represents the Company's share of estimated future revenues to be generated, net of future costs. The Company records distribution rights as an asset and records obligations incurred under distribution rights acquisition contracts as a liability when the film has been accepted in accordance with the terms set out in the contract and is available for marketing, and the cost of the rights is known or can be reasonably estimated.

Before the asset recognition conditions have been met, amounts paid for distribution rights are recorded under distribution rights as prepaid distribution rights.

Distribution rights are recognized in operating, selling and administrative expenses using the individual-film-forecast-computation method. Under this method, each distribution right is expensed based on actual gross revenues over total expected gross revenues.

Revenue estimates for each film are reviewed periodically by management and revised as necessary based on management's assessment of current market conditions. Distribution rights are valued at the lower of cost and net realizable value.

(f) Investments

Interests in the joint ventures are accounted for using the proportionate consolidation method. Investments in companies subject to significant influence are accounted for using the equity method. Other investments are recorded at cost.

1. Significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance.

The Company calculates amortization on a straight-line basis over the following estimated useful lives:

Asset	Estimate useful life
Buildings	10 to 40 years
Equipment	4 to 15 years

Leasehold improvements are amortized over the term of the lease.

(h) Deferred financing costs

Deferred financing costs are amortized using the effective interest method. Amortization of deferred financing costs is included under financial expenses in the consolidated statements of income. Deferred financing costs are presented as a reduction of long-term debt.

(i) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverability of assets to be held and used is measured by comparing the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds the estimated future cash flows, an impairment charge is recognized corresponding to the amount by which the asset's carrying amount exceeds its fair value.

1. Significant accounting policies (continued)

(j) Intangible assets and goodwill

Intangible assets

Intangible assets with indefinite useful lives consist of broadcast licences and a trademark and are not amortized in the statement of income; however, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Other intangible assets consist of software and a client list. They are amortized on a straight-line basis over the following estimated useful lives:

Asset	Estimate useful life
Software	5 to 10 years
Client list	3 years

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the fair value of a reporting unit is compared with its carrying amount. When the fair value of a reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

The Company finished testing intangible assets with indefinite lives and goodwill for impairment on April 1, 2009 and concluded that there was no impairment to be recorded.

1. Significant accounting policies (continued)

(k) Pension plans and other post-retirement benefits

The Company has established defined benefit and defined contribution pension plans for its employees. In addition, under a former plan, the Company provides health, life and dental insurance benefits to certain retired employees. The Company's active employees no longer qualify for these post-retirement benefits. The difference between employer contributions to the plan and the recorded employee benefit expense is accounted for as an accrued benefit asset or obligation.

The following accounting policies apply to all defined benefit plans:

(i) The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to income as services are provided by employees. The calculations take into account management's best estimates of expected pension plan investment performance, salary escalation, retirement ages of employees and expected healthcare costs.

(ii) For purposes of calculating the expected return on pension plan assets, the assets are valued at fair value.

(iii) Past service costs arising from plan amendments (with the exception of certain pension plans for which past service costs are recognized to income as incurred) are amortized on a straight-line basis over the active employees' average remaining service period at the amendment date.

(iv) The excess of the net actuarial gain (net actuarial loss) over 10% of the greater of the accumulated benefit obligation or the fair value of plan assets is amortized over the active employees' average remaining service period of 12 years.

(v) The expected long-term return on pension plan assets is based on the fair value of the assets.

(vi) The initial net transitional asset is amortized on a straight-line basis over the expected remaining service life of the employee group covered by the plans.

The defined contribution pension plan expense recorded in the statements of income represents the contributions the Company must pay in exchange for services rendered by the employees.

1. Significant accounting policies (continued)

(l) Operating revenue recognition

Advertising revenues

Revenues from the sale of advertising airtime in the television segment are recognized when the advertisement is broadcast. In the publishing segment, revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. at the magazine publication date.

Subscription revenues

Royalty revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Revenues from magazine subscriptions are recognized when the service is rendered. Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less a provision for future returns.

Distribution revenues

Revenues from the sale of film and television program distribution rights are recognized when the following conditions have been met:

(i) There is persuasive evidence of a sales transaction with a client. Evidence is persuasive only if there is a contract or other legally enforceable document setting forth, as a minimum, (i) the licence period, (ii) the film or group of films covered and (iii) the consideration to be received in exchange for the rights.

(ii) The film has been completed and delivered or is available for delivery.

(iii) The licence period has begun and the client can begin the operation, screening, broadcasting or selling process.

(iv) The Company’s fee is fixed or can be reasonably determined.

(v) Collection of the Company’s fee is reasonably assured.

1. Significant accounting policies (continued)

(l) Operating revenue recognition (continued)

Theatrical revenues are recognized in the months during which the film is shown in theatres, based on a percentage of box office receipts, provided that the above conditions have been met. Revenues from videos are recognized during the month in which the film is released on video and are based on DVD/Blu-ray deliveries, less a provision for future returns, or based on a percentage of retail sales, provided that the above conditions have been met.

Sale of products

Revenues from the sale of products on the home shopping TV service are recognized when the products are delivered.

(m) Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses in foreign currencies are translated at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Translation gains and losses are included in the statements of income for the year under Financial expenses.

(n) Income taxes

The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts of the assets and liabilities and their tax bases; they are computed by applying the tax rates and provisions that are enacted or substantially enacted at the financial statement date for the years in which temporary differences are expected to reverse.

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is likely that the tax benefit will be realized in the future or that the income tax liability will be extinguished.

1. Significant accounting policies (continued)

(o) Stock-based compensation and other stock-based payments

The Company uses the intrinsic value method for all stock options of TVA Group Inc. awarded to employees that require settlement in cash or other assets, at the employee's discretion. Under this method, the compensation expense related to awards to employees who intend to settle in cash or other assets is recorded each year under operating, selling and administrative expenses over the vesting period of the options. Changes in the fair value of the underlying shares under option occurring between the award date and the measurement date result in changes in the valuation of the compensation expense with a corresponding adjustment to accounts payable and accrued liabilities. For the executive and employee share plan, the Company's contributions on the employees' behalf are recorded as an operating, selling and administrative expense. Any consideration paid by executives and employees to purchase stock is credited to capital stock. Awards to senior management under the deferred share unit plan and Quebecor Media Inc.'s stock option plan are also valued and recorded in the financial statements using the intrinsic value method. Under this method, changes in the fair value of the share units and of Quebecor Media Inc.'s stock options modify the compensation expense which is recorded over the vesting period of the awards under operating, selling and administrative expenses.

(p) Earnings per share

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effects of options when calculating diluted earnings per share.

(q) Barter transactions

In the normal course of business, the Company broadcasts and publishes advertising in exchange for goods and services. The related revenues are accounted for based on the fair value of the goods and services obtained.

For the year ended December 31, 2009, the Company recognized revenues from barter transactions totalling $10,498,000 ($10,742,000 in 2008) and operating expenses related to barter transactions totalling $10,424,000 ($10,715,000 in 2008).

1. Significant accounting policies (continued)

(r) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, receivables, or other financial liabilities. Financial assets and financial liabilities held for trading are measured at fair value with changes recognized through income. Available-for-sale financial assets are measured at fair value, or at cost in the case of financial assets that have no quoted market prices in an active market, and changes in fair value are recorded through comprehensive income. Financial assets held to maturity, receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

The Company classified its cash and bank overdraft as held for trading. Accounts receivable and amounts due from related parties were classified as receivables. Portfolio investments included in investments were classified as available for sale. All of the Company’s financial liabilities were classified as other liabilities. Long-term debt transaction costs are capitalized on initial recognition and presented as a reduction to the underlying long-term debt.

Derivative financial instruments are recognized at fair value as financial assets or liabilities. Changes in the fair value of derivatives are recognized through income, with the exception of derivatives designated in an effective cash flow hedge for which hedge accounting is used.

Derivative financial instrument and hedge accounting

The Company can use a derivative financial instrument, particularly an interest rate swap, to hedge the interest rate risk on a portion of its long-term debt. When the Company uses this swap, it is designated as a cash flow hedge because a floating rate is converted to a fixed rate. The effective portion of the hedge is recorded in comprehensive income under unrealized gain (loss) on financial instrument, while the ineffective portion is recognized in the consolidated statements of income under financial expenses. The effective portion of the hedging relationship reported in accumulated other comprehensive income is recognized in income during the period in which the hedged item affects income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income during the periods in which the change in cash flows of the hedged item affects income.

1. Significant accounting policies (continued)

(s) Future changes in accounting standards

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. These Sections converge with international standards for business combinations and reporting non-controlling interests in consolidated financial statements.

Section 1582, *Business Combinations*, replaces Section 1581, *Business Combinations*, and sets out the main principles governing the recognition of the consideration transferred as well as the recognition and measurement of identifiable assets acquired and liabilities assumed in a business combination at the acquisition-date fair value, even for step acquisitions. Subsequent changes in fair value of the contingent consideration classified as a liability will be recognized in retained earnings, not as a purchase price adjustment. Restructuring costs and other direct costs related to the business combination will no longer be considered costs included in the recorded purchase price and will instead be expensed as incurred, unless they are considered costs for issuing new debt or equity. In addition, for each business combination, the acquirer must recognize any non-controlling interest in the acquiree either at fair value or the percentage equity interest in the acquiree's identifiable net assets. This Section is to be adopted prospectively for business combinations with acquisition dates in fiscal years beginning on or after January 1, 2011. As allowed, the Company has elected against early adoption of this new Section. This new Section will affect only future business acquisitions carried out in periods following its effective date.

Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*, apply to the recognition of non-controlling interests in consolidated financial statements and transactions with non-controlling interests. The new Sections require that non-controlling interests be reported as a separate item in shareholders' equity. These Sections apply to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011 and will be adopted concurrently with Section 1582.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

2. Business acquisition and disposal

Canal Indigo

On February 15, 2008, the Company entered into an agreement to purchase all of the units it did not hold of Canal Indigo S.E.N.C. for a total consideration of $105,000. This transaction, completed on August 31, 2008, was recorded using the purchase method, and its results have been fully reflected in the Company's consolidated results since September 1, 2008. On December 1, 2009, subsequent to Canadian Radio-television and Telecommunications Commission ("CRTC") approval, the Company sold the operating licence and assets of Canal Indigo to a company under common control of its parent company, Quebecor Media Inc., for $105,000. As a result of this transaction, the Company recognized a $70,000 gain, which was accounted for in contributed surplus.

3. Financial expenses

	2009	2008
Interest on long-term debt (*note 15)*	$2,591	$3,423
Dividends on redeemable preferred shares (*note 10)* [(1)]	513	1,064
Interest income on convertible bonds issued by an affiliated company *(note 10)* [(1)]	(496)	(1,029)
Interest income	(177)	(1,324)
Amortization of deferred financing costs	144	88
Foreign exchange loss (gain)	342	(477)
Other interest	43	15
	$2,960	$1,760

[(1)] Dividends totalling $545,000 ($1,061,000 in 2008) were paid, while $527,000 ($1,027,000 in 2008) was received as interest income.

4. Restructuring costs of operations

Restructuring of distribution segment operations

During fiscal 2009, based on new information available to the Company, the provision was remeasured, resulting in a $794,000 downward adjustment relating to the production activities of a former subsidiary.

During fiscal 2009, costs of $1,021,000 ($389,000 in 2008) were charged against this provision.

Accordingly, the balance of the provision for restructuring costs for this segment amounted to $981,000 as at December 31, 2009 ($2,796,000 as at December 31, 2008) and is included in accounts payable and accrued liabilities.

Restructuring of television segment operations

During the previous fiscal year, the Company recorded a provision for restructuring costs amounting to $184,000 following the elimination of a position in the television segment. The balance of restructuring costs payable in respect of these restructuring costs was nil as at December 31, 2009 ($85,000 as at December 31, 2008).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

5. Income taxes

Income tax expense is detailed as follows:

	2009	2008 Restated *(note 1(b))*
Current income taxes	$21,082	$11,497
Future income taxes	(3,984)	(3,180)
	$17,098	$8,317

The following table reconciles the Canadian statutory income tax rate and the effective income tax rate used by the Company to calculate consolidated net income:

	2009	2008 Restated *(note 1(b))*
Canadian statutory tax rate	30.9%	30.9%
Impact of provincial tax rate differences	(0.3)	(0.3)
	30.6	30.6
Increase (decrease) resulting from:		
Tax impact of non-deductible charges	1.2	1.9
Favourable judgment	–	(1.3)
Tax impact of Ontario future tax rate decrease	(0.3)	–
Change in deferred credit	(0.2)	(0.3)
Other [(1)]	(4.4)	(14.4)
Effective tax rate	26.9%	16.5%

(1) Includes reductions in future income tax liabilities of 4.5% (13.4% in 2008) in light of changes in tax audit matters, jurisprudence and tax legislation.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

5. Income taxes (continued)

The tax impact of significant items comprising the Company's net future income tax liabilities is as follows:

	2009	2008 Restated *(note 1(b))*
Future income tax assets		
Loss carryforwards	$15,960	$13,513
Provision for restructuring costs	272	366
Goodwill	565	609
Difference between the carrying amount and tax basis of property, plant and equipment and investments	110	2,047
Other	1,795	1,961
	18,702	18,496
Valuation allowance	(13,604)	(16,053)
	5,098	2,443
Future income tax liabilities		
Goodwill, licences and other intangible assets	(20,381)	(20,525)
Difference between the carrying amount and tax basis of property, plant and equipment	1,253	1,379
Other	(9,823)	(12,196)
	(28,951)	(31,342)
Net future income tax liabilities	$(23,853)	$(28,899)

Current and long-term future income tax assets and liabilities are as follows:

	2009	2008 Restated *(note 1(b))*
Future income tax assets		
Current	$4,818	$2,363
Long-term	280	80
	5,098	2,443
Future income tax liabilities		
Long-term	(28,951)	(31,342)
Net future income tax liabilities	$(23,853)	$(28,899)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

5. Income taxes (continued)

In 2002, the Company recognized $21,000,000 in future income tax assets primarily related to tax loss carryforwards following the winding-up of certain companies. Amounts corresponding to these future income tax assets were recognized under Accounts payable and accrued liabilities and Other long-term liabilities, and amortized to income tax expense in proportion to the net reduction in future income tax assets. As at December 31, 2009, the deferred credit balance amounted to $359,000 ($482,000 in 2008).

The Company recorded no future income tax liabilities with respect to its subsidiaries' retained earnings during the current year or in prior years because it does not expect to sell these investments or that these retained earnings will become taxable.

Figures in the preceding tables for 2009 and 2008 include a valuation allowance of $13,604,000 and $16,053,000, respectively, relating to loss carryforwards and other available income tax benefits. The net change in the valuation allowance for the year ended December 31, 2009 resulted primarily from a $2,059,000 decline owing to a reduction in provincial tax rates. The $1,403,000 decrease in the valuation allowance in 2008 was due to the use of $602,000 in tax loss carryforwards and to $801,000 in other available tax benefits.

As at December 31, 2009, the Company had loss carryforwards for income tax purposes of approximately $9,031,000 ($1,325,000 in 2008) available to reduce its future taxable income. These loss carryforwards expire as follows:

2026	$ 122,000
2028	1,203,000
2029	7,706,000

The Company also has capital losses amounting to $96,217,000 ($82,684,000 in 2008) that may be carried forward indefinitely and for which a valuation allowance for future income tax assets was recorded.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

6. Joint ventures

The share of operations in the joint ventures included in the Company's consolidated financial statements is detailed as follows:

	2009	2008
Consolidated Statements of Income		
Operating revenues	$8,203	$8,004
Operating, selling and administrative expenses	7,313	5,333
Operating income before interest income	890	2,671
Interest income	10	70
Net income	$900	$2,741

Consolidated Balance Sheets		
Current assets	$6,642	$7,726
Long-lived assets	272	140
Current liabilities	2,751	2,555
Long-term liabilities	28	67
Consolidated Statements of Cash Flows		
Cash flows provided by (used in) operating activities	1,288	1,483
Cash flows provided by (used in) financing activities	(2,010)	(1,000)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

7. Supplementary cash flow information

Supplementary information regarding the Consolidated Statements of Cash Flows is detailed as follows:

(a) Changes in non-cash working capital items related to operating activities are as follows:

	2009	2008
Decrease (increase) in assets		
Accounts receivable	$(18,125)	$6,152
Programs, broadcast and distribution rights and inventories	(4,776)	(12,638)
Prepaid expenses and other current assets	(2,090)	154
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(14,615)	7,289
Broadcast and distribution rights payable	4,308	2,402
Deferred revenues	(172)	960
Current income tax assets and liabilities	8,068	(10,699)
	$(27,402)	$(6,380)

(b) Interest and income taxes paid and classified in operating activities are detailed as follows:

	2009	2008
Net interest paid	$2,213	$2,544
Net income taxes paid	13,006	22,244

(c) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2009	2008
Additions to property, plant and equipment and intangible assets funded by accounts payable and accrued liabilities	$3,166	$4,233
Government assistance and other receivables credited to property, plant and equipment	(688)	–

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

8. Accounts receivable

	2009	2008
Trade accounts receivable	$91,463	$76,424
Receivables from companies under common control and affiliated companies	21,536	20,560
Tax credits and government assistance receivable	7,516	4,718
Current income tax assets	1,078	2,697
	$121,593	$104,399

Receivables from companies under common control and affiliated companies are subject to the same conditions as trade accounts receivable. Companies under common control are subsidiaries of the parent company, Quebecor Media Inc.

9. Programs, broadcast and distribution rights and inventories

			2009
	Short-term	Long-term	Total
Programs and productions produced and in progress	$5,391	$–	$5,391
Broadcast rights	42,805	33,275	76,080
Distribution rights	2,951	5,675	8,626
Inventories	3,627	–	3,627
	$54,774	$38,950	$93,724

			2008
	Short-term	Long-term	Total
Programs and productions produced and in progress	$6,251	$–	$6,251
Broadcast rights	43,194	27,130	70,324
Distribution rights	4,225	4,597	8,822
Inventories	3,551	–	3,551
	$57,221	$31,727	$88,948

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

9. Programs, broadcast and distribution rights and inventories (continued)

The cost of goods sold and costs related to programs, and broadcasting and distribution rights included in operating, selling and administrative expenses totalled $238,783,000 for the year ended December 31, 2009 ($238,048,000 for the year ended December 31, 2008). Write-downs totalling $2,995,000 were recorded during fiscal 2009 ($2,979,000 for the year ended December 31, 2008).

10. Investments

	2009	2008
Convertible bonds issued by an affiliated company [1]	$–	$9,750
Canoë Inc., portfolio investment, 13.8% ownership interest [2]	–	11,262
Tele Inter-Rives Ltd., company subject to significant influence, 45% ownership interest	8,736	8,235
Other investments	2,901	2,901
	$11,637	$32,148

[1] On June 27, 2009, SUN TV Company, a subsidiary in which the Company has a 75% ownership interest and which operates the television station SUN TV, proceeded with a tax reduction consolidation transaction entered into on July 12, 2005 with non-controlling shareholder, Sun Media Corporation, which is under the common control of the parent company, Quebecor Media Inc. To proceed with this transaction, SUN TV Company received full repayment of Sun Media Corporation convertible bonds in the amount of $9,750,000. In return, SUN TV Company repurchased from Sun Media Corporation all preferred shares, redeemable at the holder’s option and carrying a 10.85% cumulative fixed dividend, for the amount of $9,750,000. On a consolidated basis, this transaction effectively reduced the Company’s long-term investment in convertible bonds by $9,750,000, with an equivalent reduction in preferred shares redeemable at the holder’s option reported under Non-controlling interest and redeemable preferred shares. This tax consolidation transaction enabled Sun Media Corporation to reduce its current income tax expense, as interest on the convertible bonds was tax-deductible for that company, whereas preferred share dividend income was not taxable.

10. Investments (continued)

(2) During 2009, the Company's parent company, Quebecor Media Inc., wound up Canoë Inc., which was 86.2% owned by Quebecor Media Inc. and 13.8% by TVA Group Inc., and its assets were distributed proportionately to shareholders. All of the transactions arising from this winding-down were recorded at the carrying amount of the assets transferred between the affiliated companies and a $7,247,000 adjustment was recorded directly in the Company's retained earnings. This adjustment represents the difference between the $11,262,000 carrying amount of TVA Group Inc.'s investment in Canoe and the $4,015,000 net carrying value of the assets received on wind-up, consisting of $2,000,000 in cash, three portals valued at $700,000 including the Argent/Money site and $1,315,000 in related tax benefits.

As the non-controlling interest was reduced to nil during the fourth quarter of 2009, the Company now reports 100% of SUN TV's results in its consolidated results.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

11. Property, plant and equipment

			2009
	Cost	Accumulated amortization	Net book value
Land	$3,168	$–	$3,168
Buildings and leasehold improvements	80,581	57,880	22,701
Equipment	127,072	81,703	45,369
Projects in progress	7,885	–	7,885
	$218,706	$139,583	$79,123

			2008 (Restated note 1(b))
	Cost	Accumulated amortization	Net book value
Land	$3,168	$–	$3,168
Buildings and leasehold improvements	77,974	55,368	22,606
Equipment	120,020	78,951	41,069
Projects in progress	10,512	–	10,512
	$211,674	$134,319	$77,355

Amortization of property, plant and equipment represented $12,346,000 for 2009 ($11,867,000 in 2008).

In 2009, the Company wrote off $6,861,000 in fully amortized property, plant and equipment no longer in use ($58,840,000 in 2008). There was no impact on the Company’s financial results.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

12. Licences and other intangible assets

			2009
	Cost	Accumulated amortization	Net book value
Broadcast licences	$92,849	$23,260	$69,589
Software	24,474	16,140	8,334
Other intangible assets	150	40	110
Projects in progress	8,756	–	8,756
	$126,229	$39,440	$86,789

			2008 Restated *(note 1(b))*
	Cost	Accumulated amortization	Net book value
Broadcast licences	$92,849	$23,260	$69,589
Software	22,833	15,404	7,429
Other intangible assets	150	24	126
Projects in progress	3,806	–	3,806
	$119,638	$38,688	$80,950

Broadcast licences are no longer amortized since September 1, 2001. Amortization of intangible assets amounted to $1,928,000 for 2009 ($1,601,000 in 2008).

13. Accounts payable and accrued liabilities

	2009	2008
Trade accounts payable and accrued liabilities	$71,486	$87,209
Accounts payable to companies under common control and affiliated companies	8,458	8,447
Current income tax liabilities	8,490	2,041
Deferred credit (*note 5)*	272	366
	$88,706	$98,063

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

14. Other long-term liabilities

	2009	2008
Broadcast rights payable	$5,118	$5,021
Deferred credit (*note 5)*	87	116
Derivative financial instrument (*note 22)*	–	434
	$5,205	$5,571

15. Long-term debt

On December 11, 2009, the Company completed the refinancing of its bank debt consisting of a $75,000,000 five-year term loan and renewed its revolving term loan with an authorized amount of $100,000,000 and a three-year term. The term loan bears interest at annual rate of 5.54%, payable on June 15 and December 15 of each year. The revolving term loan bears interest at floating rates based on the bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items. The term loan matures on December 11, 2014 and is repayable in full on that date. The revolving term loan matures on December 11, 2012 and is repayable in full on that date.

In order to manage interest rates under the previous credit agreement, the Company entered into an interest rate swap agreement in December 2008 (*note 22)*. Subsequent to refinancing its bank debt, the Company bought back its swap at market value on December 16, 2009 for $161,000, representing the unrealized loss of the swap which was recognized in financial expenses. The Company reversed the unrealized loss previously accounted for in comprehensive income on this swap in the amount of $434,000.

As at December 31, 2009, borrowings under the revolving term loan amounted to $14,927,000 ($93,834,000 in 2008) in bankers' acceptances, bearing interest at a weighted average rate of 3.53% (3.43% in 2008).

Under its credit agreements, the Company is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2009, the Company was in compliance with the terms of its credit agreements.

As at December 31, 2009, the Company had outstanding letters of credit amounting to $485,000 ($425,000 in 2008).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

15. Long-term debt (continued)

Long-term debt consisted of the following:

	2009	2008
Term loan	$75,000	$–
Bankers' acceptances issued	14,927	93,834
Deferred financing costs, net of accumulated amortization	(1,347)	(129)
Long-term debt	$88,580	$93,705

The costs incurred to refinance the bank debt represented $1,362,000 and were recorded in deferred financing costs.

16. Capital stock

Authorized

An unlimited number of Class A common shares, participating, voting, without par value

An unlimited number of Class B shares, participating, non-voting, without par value

An unlimited number of preferred shares, non-participating, non-voting, with a par value of $10 each, issuable in series

	2009	2008
Issued and fully paid		
4,320,000 Class A common shares	$72	$72
19,450,906 Class B shares (19,704,206 in 2008)	98,575	99,858
	$98,647	$99,930

16. Capital stock (continued)

Normal course issuer bid

On March 17, 2009, the Company filed a normal course issuer bid to redeem a maximum of 985,210 Class B shares of the Company for cancellation between March 19, 2009 and March 18, 2010, representing approximately 5% of the Class B shares issued and outstanding. The Company redeems its Class B shares at the market price at the time of purchase, plus brokerage fees. During fiscal 2009, 253,300 Class B shares were redeemed for cancellation under the normal course issuer bid for a net cash consideration of $2,581,000.

Substantial normal course issuer bid

On April 1, 2008, the Company filed a substantial issuer bid to redeem for cancellation up to 2,000,000 Class B participating and non-voting shares, or approximately 8.8% of the total number of its issued and outstanding shares, for a fixed price of $17.00 per Class B share. On May 14, 2008, the Company filed a notice to amend and extend its initial bid to increase the maximum number of shares redeemable under the bid to 3,000,000 Class B shares, and extended the bid to June 2, 2008. A total of 9,189,542 Class B shares were tendered by the issuer bid deadline. Taking into account the proration factor, adjustments for odd lot purchases and to avoid the creation of new irregular lots, the Company took up 3,000,642 Class B shares, for a total consideration of $51,010,914, plus $404,000 in transaction fees. The Class B shares redeemed for cancellation under this issuer bid represented 13.2% of the 22,704,848 Class B shares issued and outstanding before the redemption.

16. Capital stock (continued)

Class B stock option plan for officers

Under the plan introduced in 1999 for officers of the Company and its subsidiaries, the terms and conditions for granting options are determined by the Company's Compensation Committee. However, the purchase price of each Class B share under an option cannot be less than the closing market price the day before the option is granted. In addition, the option term cannot exceed 10 years. In 2008, the Company increased the number of Class B shares issuable over the term of the Class B stock option plan for officers to 2,200,000 from 1,400,000.

When exercising options, holders may elect to receive from the Company a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period as follows:

(i) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;

(ii) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;

(iii) Equally over three years, with the first 33% portion vesting as of the third anniversary of the grant date.

The Company did not grant any new options under the plan in 2009 or 2008.

No compensation expense was recognized in 2009, reflecting the fact that the market value of TVA Group Inc.'s listed shares as at December 31, 2009 was lower than the options' average exercise price (reversal of an $80,000 compensation expense in 2008).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

16. Capital stock (continued)

Class B stock option plan for officers (continued)

The following table provides summary information as at December 31, 2009 and 2008 concerning the conventional options and the changes that occurred during the years then ended:

		2009		2008
Conventional options	Number	Weighted average exercise price (in dollars)	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	975,155	$16.16	983,693	$16.16
Cancelled	–	–	(8,538)	15.81
Balance, end of year	975,155	$16.16	975,155	$16.16
Exercisable options, end of year	428,383	$17.47	185,144	$19.20

			Outstanding options		Exercisable options
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2009	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of exercisable options as at December 31, 2009	Weighted average exercise price (in dollars)
$14.50 to $16.40	781,024	7.41	$14.98	251,158	$15.08
$16.41 to $21.38	194,131	4.86	20.90	177,225	20.87
	975,155	6.90	$16.16	428,383	$17.47

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

16. Capital stock (continued)

Class B stock purchase plan for executives and employees

In 1998, the Company introduced a stock purchase plan reserving a total of 375,000 Class B shares for its employees and a stock purchase plan reserving a total of 375,000 Class B shares for its executives. Under these plans, participants may acquire shares under certain compensation-related terms and conditions. The shares may be acquired at a price equal to 90% of the average closing market price for the five trading days preceding the exercise date. The plans also include interest-free financing terms. No Class B shares were issued under these plans in 2008 and 2009. As at December 31, 2009 and 2008, a balance of 229,753 Class B shares were issuable under the employee plan, while 332,643 shares were issuable under the executive plan.

Deferred share unit plan

During the year ended August 27, 2000, the Company introduced a long-term profit sharing plan for certain senior executives. The deferred share units are redeemable by participants (in cash or, at the Company's option, in Class B shares or in a combination of cash and shares) only upon termination of the participants' employment. Under this plan, no more than 25,000 Class B shares may be issued. The Company issued no units in 2009 or 2008, and no units were outstanding as at December 31, 2009 and 2008.

Earnings per share

The following tables show calculations for basic and diluted earnings per share:

	2009	2008 Restated *(note 1(b))*
Net income	$49,123	$44,912
Weighted average number of shares outstanding and weighted average number of diluted shares outstanding	23,916,945	25,293,708
Basic and diluted earnings per share (in dollars)	$2.05	$1.78

A total of 975,155 Class B stock options (975,155 in 2008) were not included in the calculation of diluted earnings per share, reflecting the fact that the exercise price was higher than the average share price in 2009.

17. Quebecor Media Inc. stock option plan

Under the stock option plan established by Quebecor Media Inc., options have been granted to the senior executives of TVA Group Inc. Each option may be exercised within ten years of the grant date at an exercise price no lower than the fair value of the common shares at the grant date, as determined by an external expert whose services are retained by the Board of Directors of Quebecor Media Inc. (should Quebecor Media Inc.'s common shares not be listed on a recognized stock exchange at the grant date), or the weighted average price over the last five trading days preceding the grant date of Quebecor Media Inc.'s common shares on the stock exchanges where such shares are listed. So long as Quebecor Media Inc.'s common shares are not listed on a recognized stock exchange, vested options may be exercised only during the following periods: March 1–March 30, June 1–June 29, September 1–September 29 and December 1–December 30. Moreover, on an option's exercise date, option holders may exercise their right, at their discretion, to (i) receive a cash amount equal to the appreciation in value of the vested option's underlying shares, or (ii) purchase common shares of Quebecor Media Inc.

Except in specific circumstances, and unless the Compensation Committee of Quebecor Media Inc. decides otherwise, options vest over a five-year period using one of the following methods, as determined by the Committee at the grant date: (i) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; (ii) equally over four years, with the initial 25% portion vesting on the second anniversary of the grant date; and (iii) equally over three years with the initial 33% portion vesting on the third anniversary of the grant date. Option vesting may also depend on meeting certain performance criteria.

The Company recognized a $424,000 compensation expense under this plan for the year ended December 31, 2009 (a $618,000 compensation expense reversal in 2008). The 2009 expense resulted primarily from the increase in fair value of the shares of Quebecor Media Inc. as at December 31, 2009 compared with the fair value as at December 31, 2008.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

17. Quebecor Media Inc. stock option plan (continued)

The following table provides summary information about the outstanding options granted to the Company's executives, senior management and other key employees as at December 31, 2009 and 2008 and the changes that occurred during the years then ended.

		2009		2008
Conventional options	Number	Weighted average exercise price (in dollars)	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	245,984	$43.96	328,159	$37.84
Exercised	(19,335)	24.95	(82,175)	19.54
Balance, end of year	226,649	$45.58	245,984	$43.96
Exercisable options, end of year	57,068	$45.55	2,239	$30.99

		Outstanding options		Exercisable options
Exercise price (in dollars)	Number of outstanding options as at December 31, 2009	Weighted average remaining contractual life (years)	Number of exercisable options as at December 31, 2009	Weighted average exercise price (in dollars)
$27.86 to $31.92	22,086	6.04	5,924	$30.86
$44.45 to $47.29	204,563	7.85	51,144	47.25
	226,649	7.68	57,068	$45.55

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Tax credits and government assistance

Operating revenues included $3,253,000 ($1,062,000 in 2008) in government assistance for local programming in small markets and publishing content.

Tax credits and government assistance amounting to $4,944,000 ($4,847,000 in 2008) were recorded as a reduction of program production expenses, magazine distribution and film marketing costs included in operating, selling and administrative expenses.

During the year, government assistance recorded as a reduction of property, plant and equipment represented $434,000.

As at December 31, 2009, advances received under government assistance amounted to $1,764,000 ($1,647,000 in 2008) and were reported in distribution rights payable.

19. Pension plans and other post-retirement benefits

Pension plans provided to the management and unionized employees of TVA Group Inc. include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. Group TVA Inc. offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed surplus post-retirement plan for which the benefits offset the tax limit effect. Certain TVA Publishing employees are provided with a career-earnings pension plan indexed before and after retirement.

The Company's various retirement plans have undergone actuarial valuations over the past three years.

The following table shows the effective valuation dates for funding purposes:

	Most recent valuation date	Date of next required valuation
TVA Group Management Plan	December 31, 2006	December 31, 2009
TVA Group Union Members' Plan	December 31, 2006	December 31, 2009
TVA Group Senior Management Plan	December 31, 2008	December 31, 2010
TVA Publishing Employees' Plan	December 31, 2007	December 31, 2010

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Pension plans and other post-retirement benefits (continued)

Total cash amounts recognized in 2009 as paid or payable during the year for employee future benefits, including employer contributions to the defined benefit pension plans, the defined contribution pension plan and the other post-retirement benefit plan, amounted to $6,462,000 ($5,833,000 in 2008).

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2009 and 2008:

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligations				
Balance, beginning of year	$122,233	$1,490	$145,388	$2,154
Participants' contributions	2,727	–	2,584	–
Current service cost	934	2	2,653	5
Interest cost	9,165	69	8,185	86
Plan amendments	182	–	6,500	–
Benefits paid	(7,109)	(84)	(7,084)	(133)
Actuarial loss (gain)	22,444	95	(35,993)	(622)
Balance, end of year	$150,576	$1,572	$122,233	$1,490

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Pension plans and other post-retirement benefits (continued)

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Plan assets				
Fair value of plan assets, beginning of year	$130,861	$–	$153,776	$–
Actual return on plan assets	18,806	–	(21,609)	–
Employer contributions	3,418	–	3,194	–
Participants' contributions	2,727	–	2,584	–
Benefits paid	(7,109)	–	(7,084)	
Fair value of plan assets, end of year	$148,703	$–	$130,861	$–

Plan assets are allocated as follows:

	2009	2008
Equity securities	59.3%	59.4%
Debt securities	39.2%	39.4%
Other	1.5%	1.2%
Total	100.0%	100.0%

Plan assets were valued as at December 31, 2009 and 2008.

As at December 31, 2009 and 2008, common shares of the ultimate parent entity, Quebecor Inc., were included in the above-mentioned equity securities and accounted for $638,000 (0.4% of plan assets) and $460,000 (0.4% of plan assets), respectively.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Pension plans and other post-retirement benefits (continued)

The amounts shown in the above tables with respect to accrued benefit obligations and the fair value of plan assets at year-end include the following amounts relating to plans that have not been fully funded:

		2009		2008
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligations	$110,005	$1,572	$732	$1,490
Fair value of plan assets	(105,007)	–	–	–
Funded status – deficit	$4,998	$1,572	$732	$1,490

		2009		2008
	Pension plans	Other plans	Pension plans	Other plans
Reconciliation of funded status				
Excess of assets (obligations) over obligations (assets), end of year	$(1,873)	$(1,572)	$8,628	$(1,490)
Unrecognized past service cost	430	(42)	331	(50)
Unrecognized net actuarial loss	17,875	320	4,900	233
Unrecognized transitional obligation (asset)	(3,641)	275	(4,143)	334
Accrued benefit asset (obligation)	12,791	(1,019)	9,716	(973)
Valuation allowance	(3,891)	–	(1,227)	–
Accrued benefit asset (obligation), net of valuation allowance	$8,900	$(1,019)	$8,489	$(973)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Pension plans and other post-retirement benefits (continued)

The amounts recorded in the Company's balance sheets as at December 31, 2009 and 2008 are as follows:

		2009		2008
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit asset	$8,900	$–	$8,489	$–
Accrued benefit obligation, under accounts payable and accrued liabilities	–	(1,019)	–	(973)
Net amount recognized	$8,900	$(1,019)	$8,489	$(973)

The following table presents the components of the Company's defined benefit plan expense for 2009 and 2008:

		2009		2008
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	$934	$3	$2,653	$5
Interest cost	9,165	69	8,185	86
Expected return on plan assets	(9,418)	–	(11,102)	–
Amortization of past service cost	83	(8)	6,583	(8)
Amortization of transitional obligation (asset)	(502)	59	(502)	59
Change in valuation allowance	2,664	–	(3,393)	–
Amortization of recognized net actuarial loss	81	8	146	46
Employee benefit expense	$3,007	$131	$2,570	$188

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Pension plans and other post-retirement benefits (continued)

The significant assumptions considered most likely by management and used to value the Company's accrued benefit obligations are as follows:

	2009	2008
Obligations		
Year-end discount rate	6.25%	7.50%
Rate of compensation increase	3.25%	3.25%
Current period cost		
Discount rate	7.50%	5.50%
Expected rate of return on plan assets	7.00%	7.25%
Rate of compensation increase	3.25%	3.25%

For the purpose of calculating the other post-retirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 9.0% in 2008. Based on this assumption, this rate will gradually decrease to 5% over a ten-year period and will remain at that level thereafter. A 1% change in this rate would have the following impact:

	Other post-retirement benefits	
	Increase of 1%	Decrease of 1%
Impact on service and interest costs	$6	$(6)
Impact on benefit obligation	86	(76)

Defined contribution plans

The total expense for the Company's defined contribution pension plans for the year ended December 31, 2009 was $2,960,000 ($2,506,000 in 2008).

20. Related party transactions

During the year ended December 31, 2009, the Company entered into the following transactions with related parties in the normal course of business. Related party transactions are measured at the exchange amount, which is the amount of consideration agreed by the parties.

Operating revenues

During fiscal 2009, the Company sold advertising space to companies under common control and affiliated companies, provided technical production, post-production and other services, and recognized subscription revenues for an aggregate amount of $55,669,000 ($48,385,000 in 2008).

Operating, selling and administrative expenses

The Company incurred $4,224,000 in management fees for services rendered by its parent company ($4,100,000 in 2008).

The Company recorded broadcast rights expense, communications service costs, advertising space acquisition costs and professional service fees arising from transactions with companies under common control and affiliated companies, totalling $18,906,000 ($14,899,000 in 2008). The balance sheet includes $50,000 in broadcast rights presented on a current basis ($80,000 in 2008) as well as broadcast rights payable presented on a short-term basis amounting to $120,000 ($612,000 in 2008) with respect to these same companies.

World Color Press Inc. (formerly Quebecor World Inc.)

Since January 21, 2008, World Color Press Inc. is no longer considered to be a company under common control of the ultimate parent entity, Quebecor Inc. For the period from January 1, 2008 to January 21, 2008, the Company recognized $1,190,000 in operating, selling and administrative expenses related to said company.

During fiscal 2008, the Company acquired $10,497,000 in receivables of World Color Press Inc. from subsidiaries of Quebecor Media Inc. for a consideration of $10,272,000. Subsequent to this agreement, the Company recognized a $225,000 gain, which was accounted for in contributed surplus.

During fiscal 2009, the Company acquired $1,364,000 in receivables of World Color Press Inc. from subsidiaries of Quebecor Media Inc. in exchange for a $1,334,000 payment. Subsequent to these transactions, the Company recognized a $30,000 gain, which was accounted for in contributed surplus.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

21. Commitments, guarantees and contingencies

(a) Commitments

The Company has commitments under operating leases, mainly for services and office space, and under distribution and broadcasting rights agreements, calling for payments totalling $77,649,000, including $3,518,000 to affiliated companies. The minimum payments for the coming years are as follows:

2010	$43,440
2011	20,230
2012	9,965
2013	2,062
2014	790
2015 and thereafter	1,162

Other commitments

On June 29, 2009, the Company undertook to become sole owner of TV-station SUN TV through a $2,000,000 payment to Sun Media Corporation. This amount is reported in Prepaid expenses and other current assets. On December 1, 2009, the CRTC approved the Company's application. The transaction is still subject to certain conditions.

(b) Guarantees

The Company has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Company is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. The maximum exposure with respect to these guarantees is approximately $591,000. As at December 31, 2009, the Company had recorded no liabilities related to these guarantees.

21. Commitments, guarantees and contingencies (continued)

(b) Guarantees (continued)

In the normal course of business, the Company enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts, service agreements and leases. These indemnification agreements require the Company to compensate the third parties for costs incurred as a result of statutory and regulatory changes (including changes to tax laws) or as a result of legal action or regulatory penalties stemming from these transactions. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties. No liabilities have been recorded with respect to these agreements because the Company does not expect to make any payments thereunder.

(c) Contingencies

In the normal course of business, various legal actions, proceedings and claims are pending against the Company. In management's opinion, the settlement of these legal actions, proceedings and claims will not have a material adverse impact on the Company's financial position, operating results or cash flows.

Litigation with World Color Press Inc.

Legal proceedings have been brought against the Company by World Color Press Inc. relative to the cancellation of printing and related services provided by World Color Press to the Company. World Color Press has also moved to have the transfers of receivables to the Company by subsidiaries of Quebecor Media Inc. and the resulting compensations invalidated. The entities that transferred the receivables have undertaken to fully indemnify the Company should the compensations and transfers be invalidated. The total amount claimed in relation to these legal proceedings is approximately $15,500,000. There can be no assurance as to the outcome of these recourses. However, management believes these recourses to be unfounded and intends to vigorously defend its position. Proceedings were still pending as at December 31, 2009.

21. Commitments, guarantees and contingencies (continued)

(c) Contingencies (continued)

Part II licence fees of the CRTC

In 2003 and 2004, a number of companies, including TVA Group Inc., brought a suit against the Crown in Federal Court, alleging that the Part II licence fees that broadcasters are required to pay annually constitute, in fact and in law, taxes, not fees. On December 14, 2006, the Federal Court decreed that these fees did indeed constitute taxes and that the CRTC was to cease collection of such fees, and ordered that the plaintiff companies would not be entitled to a reimbursement of the amounts already paid. On October 1, 2007, the CRTC issued a document, stating that it would adhere to the decision that was rendered and that it would not collect, in 2007 or in any subsequent years, the Part II licence fees payable on November 30 of each year unless a higher court reversed the Federal Court decision. The federal government appealed the December 14, 2006 Federal Court judgment to the Federal Court of Appeal, which overturned the lower court ruling on April 29, 2008, stating that the Part II fees were not a tax but a valid regulatory fee. The plaintiff companies disagreed with this decision and applied for leave to appeal to the Supreme Court of Canada, which was granted on December 18, 2008.

On October 7, 2009, the parties to this case, including the Company, signed an out-of-court settlement whereby, in particular, the plaintiff companies withdrew their legal challenge and monetary claims, and the government agreed not to claim the unpaid Part II fees for the period of September 1, 2006 through August 31, 2009. As a result of this settlement, the Company recorded a reversal in the fourth quarter of 2009 of the $9,012,000 provision for unpaid Part II fees for the period of September 1, 2006 through August 31, 2009. Under the out-of-court settlement, the government also undertook to recommend that the CRTC amend its regulations to reduce and cap Part II licence fees for the period subsequent to August 31, 2009. As at December 31, 2009, no final decision had been reached by the government in connection with the CRTC's new Part II licence fee structure.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

22. Financial instruments and financial risk management

The Company's risk management policy is established to identify and analyze the Company's risk exposures, set appropriate risk limits and controls, and monitor risks and adherence to limits. The risk management policy is reviewed, when necessary, to reflect changes in market conditions and the Company's operations.

Due to its use of financial instruments, the Company is exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations. To manage risk exposure to interest rate fluctuations, the Company may occasionally use interest rate swaps. The Company used a derivative financial instrument, an interest rate swap, in 2008 and 2009. On December 16, 2009, this swap was bought back by the Company subsequent to long-term debt refinancing. The Company used an interest rate swap to hedge the interest rate risk on a portion of long-term debt. The interest rate swap was designated as a cash flow hedge because a floating rate was converted to a fixed rate. The Company elected to apply cash flow hedge accounting for this derivative financial instrument. The Company did not use this derivative financial instrument for speculative purposes.

The Company held no interest rate swap as at December 31, 2009.

(i) Fair value of financial instruments

The carrying amount of accounts receivable from external and related parties (classified as receivables) and accounts payable and accrued liabilities to external and related parties (classified as other liabilities) approximates their fair value since these items will be realized or paid within one year. The fair value of the other investments could not be determined because there are no quoted market prices in an organized market for these types of investments.

The fair values of long-term debt and the derivative financial instrument as at December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Bankers' acceptances	$14,927	$14,927	$93,834	$91,400
Term loan	75,000	75,000	-	-
Interest rate swap	-	-	434	434

22. Financial instruments and financial risk management (continued)

(i) Fair value of financial instruments (continued)

The fair value of financial liabilities is based on the calculation of discounted cash flows using rates of return or market prices at year-end for financial instruments with the same maturity.

Under the new requirements of *CICA Handbook* Section 3862, *Instruments Financiers – Disclosures*, the Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. The Company's fair value hierarchy comprises the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and bank overdraft is determined using Level 1 inputs.

(ii) Credit risk management

Credit risk is the risk of the Company incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Company regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2009, no clients had balances representing a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts in response to the specific credit risk of its clients. The Company has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Company does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2009, 2.72% of accounts receivable were over 120 days past due (5.91% as at December 31, 2008). Moreover, as at December 31, 2009, the Company's allowance for doubtful accounts amounted to $2,749,000 ($3,978,000 as at December 31, 2008).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

22. Financial instruments and financial risk management (continued)

(ii) Credit risk management (continued)

The following table shows the changes in the allowance for doubtful accounts as at December 31, 2009 and 2008:

	2009	2008
Balance, beginning of year	$3,978	$3,578
Change recognized in the statement of income	1,083	2,236
Use	(2,312)	(1,836)
Balance, end of year	$2,749	$3,978

(iii) Liquidity risk management

Liquidity risk is the risk that the Company be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company ensures that it has sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions.

As at December 31, 2009, the obligations and maturities of financial liabilities of the Company were detailed as follows:

	Under 1 year	1 to 3 years	3 to 5 years	Total
Bank overdraft	$974	$–	$–	$974
Accounts payable and accrued liabilities	88,434	–	–	88,434
Broadcast and distribution rights payable	28,611	5,118	–	33,729
Long-term debt	–	14,927	75,000	89,927
Interest payments [1]	5,319	10,639	8,310	24,268
Total	$123,338	$30,684	$83,310	$237,332

[1] The estimated interest payable on floating-rate long-term debt was based on the interest rates in effect as at December 31, 2009.

22. Financial instruments and financial risk management (continued)

(iv) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates could affect the Company's operating revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters.

Foreign exchange risk

The Company is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency, that is, other than Canadian dollars, due to the insubstantial volume of such transactions. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign denominated sales. In light of the insubstantial volume of foreign currency transactions, the Company has determined foreign exchange hedging to be unwarranted. Accordingly, the Company has limited sensitivity to changes in foreign exchange rates. The impact on net income of a 1% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would be less than $100,000 on a yearly basis.

Interest rate risk

The Company is exposed to interest rate risk on its long-term debt. The Company completed refinancing of its long-term debt on December 11, 2009; as a result, a significant portion of its long-term debt now has a fixed rate, which substantially limits its risk exposure to interest rate changes. As at December 31, 2009, the Company long-term debt included an 83% portion of fixed-rate debt (48% as at December 31, 2008) and a 17% portion of floating-rate debt (52% as at December 31, 2008).

An increase (decrease) of 100 basis points in Canadian bankers' acceptance rate at the end of the current fiscal year on the balance of floating-rate long-term debt as at December 31, 2009 would have resulted in a $150,000 increase (decrease) in financial expenses for the year.

The Company regularly reviews its position to ensure that its exposure to these risks has not changed.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

22. Financial instruments and financial risk management (continued)

(v) Capital management

The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- Maintain an optimal capital base in order to support the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Company manages its capital structure in accordance with the characteristics of its segments' underlying assets and applicable requirements, if any. The Company has the ability to manage its capital structure by issuing new debt or repaying existing debt with cash generated internally, controlling the amounts it returns to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Company's strategy is unchanged from the previous year.

The Company's capital structure consists of shareholders' equity, bank overdraft, long-term debt, a derivative financial instrument and a non-controlling interest, less cash.

The capital structure is as follows:

	2009	2008
Bank overdraft	$974	$147
Long-term debt	89,927	93,834
Derivative financial instrument	–	434
Non-controlling interest	–	1,906
Cash	(1,924)	(5,262)
Net debt	$88,977	$91,059
Shareholders' equity	$237,095	$202,182

22. Financial instruments and financial risk management (continued)

(v) Capital management (continued)

Excluding maintenance of certain financial ratios under its credit agreements, the Company is not subject to any other externally imposed capital requirements. As at December 31, 2009, the Company was in compliance with the terms of its credit agreements.

23. Segmented information

The Company's operations consist of the following segments:

– The television segment includes the TVA Network, specialty channels, SUN TV, the marketing of the websites of the different television properties of the various television production companies including TVA Productions Inc., commercial production including the TVAccess division, as well as home and online shopping services of the TVA Boutiques division;

– The publishing segment includes the operations of TVA Publications Inc., the publisher of various French-language magazines specializing in arts, entertainment, television, fashion, decoration and others;

– The distribution segment includes the television and film production and distribution operations of the division TVA Films.

Other items represent the elimination of intersegment transactions in the normal course of business with respect to revenues, expenses, realized (unrealized) profits. As at December 31, 2008, other items recorded in total assets included the investment in Canoe Inc.

The reportable segments determined by management are strategic operating units that provide various goods and services. They are managed separately because, among other reasons, each segment requires different marketing strategies.

The segments' accounting policies are the same as those used by the Company as a whole *(see note 1)*.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

23. Segmented information (continued)

The following tables provide information about results and assets:

					2009
	Television	Publishing	Distribution	Other items	Total
Operating revenues	$357,044	$73,974	$12,424	$(4,473)	$438,969
Operating, selling and administrative expenses	282,492	62,901	18,007	(4,458)	358,942
Income (loss) before amortization, financial expenses and restructuring costs of operations	$74,552	$11,073	$(5,583)	$(15)	$80,027
Additions to property, plant and equipment	$15,961	$300	$–	$–	$16,261
Additions to intangible assets	$6,519	$191	$–	$–	$6,710
Goodwill	$2,539	$69,442	$–	$–	$71,981
Total assets	$383,830	$84,483	$17,210	$–	$485,523

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

23. Segmented information (continued)

					2008 Restated *(note 1(b))*
	Television	Publishing	Distribution	Other items	Total
Operating revenues	$342,853	$78,606	$19,236	$(3,972)	$436,723
Operating, selling and administrative expenses	287,681	69,300	18,054	(4,262)	370,773
Income before amortization, financial expenses and restructuring costs of operations	$55,172	$9,306	$1,182	$290	$65,950
Additions to property, plant and equipment	$16,744	$351	$18	$–	$17,113
Additions to intangible assets	$4,768	$–	$–	$–	$4,768
Goodwill	$2,539	$69,442	$–	$–	$71,981
Total assets	$362,213	$80,158	$21,006	$11,262	$474,639

TVA GROUP INC.
Management's Discussion and Analysis
for the years ended December 31, 2009 and 2008

CORPORATE PROFILE

TVA Group Inc. («TVA Group» or the «Company», a subsidiary of Quebecor Media Inc. «QMI») is a communication company with operations in three business sectors: television, publishing and distribution. In the Television sector, TVA Group creates, produces and broadcasts entertainment, information and public affairs programming, in addition to its commercial production and home shopping operations. It operates North America's largest private French-language television network, as well as seven specialty channels and an English-language general-interest television station in Toronto. TVA Group also holds a minority interest in the *Canal Évasion* specialty channel. In the Publishing sector, TVA Group produces more than 60 magazines, making it Québec's largest publisher of French-language magazines. It also offers custom publishing services that promote customers' trademarks through the print media. In the Distribution sector, TVA Group owns a catalogue of distribution rights that it operates on all media platforms: cinema, video, pay and pay-per-view television, as well as specialty and conventional television. The Company's shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

COMPARATIVE FIGURES

On January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 3064, *Goodwill and Intangible Assets*, which resulted in the restatement of some comparative figures. See "Changes in Accounting Policies" below.

OVERVIEW OF 2009

TVA Group's operating income increased 21.3% in 2009 compared with 2008 to $80,027,000. The Television and Publishing sectors posted significant growth in operating income during the year, while the Distribution sector recorded an operating loss. The Company recognized net income of $49,123,000 for 2009, compared with $44,912,000 in 2008, an increase of 9.4%. Financial highlights of 2009 included:

- A $19,380,000 or 35.1% increase in the Television sector's operating income compared with the previous year, mainly because of the following factors:
    - ⇒ $13,151,000 favourable variance related to adjustments to the provision for Canadian Radio-television and Telecommunications Commission (CRTC) Part II licence fees;
    - ⇒ a 12.7% increase in TVA Network's normalized operating income[1] due to a slight growth in advertising revenues of 0.9% and 12.8% growth in other revenues;
    - ⇒ a 13.9% increase in normalized operating income from the specialty services, particularly *LCN* and *Mystère*.

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1 See definition below.

- Growth in the Publishing sector’s operating income for the fourth consecutive year with a 19% increase from $9,306,000 in 2008 to $11,073,000 in 2009, despite a 10.2% decrease in advertising revenues.

- A $5,583,000 operating loss in the Distribution sector, compared with operating income of $1,182,000 in 2008.

NON STANDARDIZED MEASURES UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”)

To evaluate its financial performance, the Company uses certain measures that are not calculated on the basis of GAAP. The Company uses these non-GAAP financial measures, such as operating income and normalized operating income, because it believes that they are meaningful measures of its performance. The Company's method of calculating non-GAAP financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other measures reported by other companies with similar standards.

DEFINITION OF OPERATING INCOME (LOSS)

In its analysis of operating results, the Company defines operating income (loss) as earnings (loss) before amortization, financial expenses, operational restructuring costs, income taxes, non-controlling interest and equity in income of companies subject to significant influence. Operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Operating income (loss) is used by the Company because management believes it is a meaningful measure of performance. This measure is commonly used by senior management and the Board of Directors to evaluate the consolidated results of the Company and the results of its sectors. Measurements such as operating income and operating loss are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is active. The Company’s definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

Reconciliation between the operating income measure used in this report and the net income measure used in the consolidated financial statements
(in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2009	2008	**2009**	2008
Net income	**$ 21,065**	$ 14,544	**$ 49,123**	$ 44,912
Amortization of property, plant and equipment and intangible assets	**3,911**	3,580	**14,274**	13,468
Financial expenses (financial revenues)	**1,017**	(253)	**2,960**	1,760
Operational restructuring costs	**-**	-	**(794)**	184
Income taxes	**7,013**	5,469	**17,098**	8,317
Non-controlling interest	**(254)**	(433)	**(1,906)**	(1,802)
Share of income from companies subject to significant influence	**(531)**	(496)	**(728)**	(889)
Operating income	**$ 32,221**	$ 22,411	**$ 80,027**	$ 65,950

DEFINITION OF NORMALIZED OPERATING INCOME (LOSS)

Normalized operating income (loss) is defined as operating income adjusted for adjustments related to CRTC Part II licence fees. Normalized operating income (loss) presents operating results had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Management believes that normalized operating income is a meaningful measure of performance. Please refer to the Television section below for the reconciliation table. The Company's definition of normalized operating income (loss) may not be identical to similarly titled measures reported by other companies.

DEFINITION OF NORMALIZED OPERATING EXPENSE

Normalized operating expense is defined as operating expenses adjusted for adjustments related to CRTC Part II licence fees. Normalized operating expense presents operating expenses had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating expense as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Please refer to the Television section below for the normalized operating expense reconciliation table. The Company's definition of normalized operating expense may not be identical to similarly titled measures reported by other companies.

OPERATING RESULTS

The following Management's Discussion and Analysis of TVA's financial position and results should be read in conjunction with the Company's consolidated financial statements. The Company's financial statements are prepared in accordance with Canadian GAAP. All amounts reported in this Management's Discussion and Analysis are in Canadian dollars.

Operating revenues (in thousands of dollars)

	Three month periods ended December 31		**Years ended December 31**	
	2009	2008	**2009**	2008
Television	**$ 107,147**	$ 102,118	**$ 357,044**	$ 342,853
Publishing	**18,121**	19,508	**73,974**	78,606
Distribution	**4,433**	6,891	**12,424**	19,236
Intersegment items	**(1,247)**	(1,557)	**(4,473)**	(3,972)
	$ 128,454	$ 126,960	**$ 438,969**	$ 436,723

TVA Group's consolidated operating revenues totalled $438,969,000 in 2009 compared with $436,723,000 in the previous year, an increase of $2,246,000 or 0.5%. The Television sector grew its operating revenues by $14,191,000 or 4.1%, while operating revenues decreased in the Publishing and Distribution sectors. The growth in the Television sector's operating revenues reflects increases in all its businesses except for the SUN TV station, where advertising revenues decreased by 9.3%, and TVA Boutiques, which recorded a 6.4% decrease in operating revenues. TVA Network's operating revenues grew 2.0% in 2009, mainly as a result of a 0.9% increase in advertising revenues and revenues from the new Local Programming Improvement Fund created by the CRTC on September 1, 2009. The Publishing sector's revenues decreased by $4,632,000 or 5.9% compared with 2008, mainly because of a 10.2% drop in advertising revenues. Video and television accounted for the bulk of the decrease in the Distribution sector's operating revenues, which was due to lower DVD sales and the financial position of some Canadian television broadcasters. The $501,000 increase in operating revenues from intersegment items in 2009 compared with 2008 reflects a higher volume of transactions between the Television and Publishing sectors, mainly involving exchanges of services.

2009/2008 fourth quarter comparison

Consolidated operating revenues totalled $128,454,000 for the fourth quarter of 2009, compared with $126,960,000 in the corresponding period of 2008. The 1.2% increase resulted from revenue growth in the Television sector (4.9%). Operating revenues increased in all of the Television sector's businesses in the fourth quarter of 2009 compared with the same period of 2008, led by the specialty services with a 19.4% increase. TVA Network's operating revenues grew by 2.4%, including a 1.0% increase in advertising revenues. The Publishing sector's operating revenues decreased by 7.1%, including an 8.2% decrease in advertising revenues, mainly from the decor magazines. The Distribution sector's operating revenues decreased by 35.7% due to the limited success of its theatrical releases and lower video and television volumes than in the same quarter of 2008.

Operating (loss) income (in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2009	2008	**2009**	2008
Television	**$ 33,197**	$ 19,413	**$ 74,552**	$ 55,172
Publishing	**1,772**	1,887	**11,073**	9,306
Distribution	**(2,809)**	1,077	**(5,583)**	1,182
Intersegment items	**61**	34	**(15)**	290
	$ 32,221	$ 22,411	**$ 80,027**	$ 65,950

TVA Group recorded operating income of $80,027,000 for 2009, compared with $65,950,000 in the previous year, an increase of $14,077,000 or 21.3%.

In the Television sector, operating income increased by $19,380,000 or 35.1% in 2009 compared with the previous year. All businesses in this sector reported increases in operating income except for the Toronto conventional television station SUN TV and the TVA Boutiques division. In the fourth quarter of 2009, TVA Group reversed a $9,012,000 provision for CRTC Part II licence fees for the period of September 1, 2006 to August 31, 2009, which are no longer payable pursuant to an agreement with the federal government reached on October 7, 2009, whereas in 2008 the sector's operating income included an unfavourable adjustment to operating expenses in the amount of $4,139,000 in connection with the same fees for the period of September 1, 2006 to December 31, 2007. On a comparable basis, the sector's normalized operating income grew by 10.5% on account of increases at TVA Network, the specialty services, marketing of our Internet sites and commercial production. SUN TV's operating loss increased by 26.0% in 2009 however this figure includes favourable adjustments related to the CRTC Part II licence fees. On a comparable basis, SUN TV's normalized operating loss increased by $2,509,000 or 39.7%.

In the Publishing sector, despite the decrease in operating revenues, stringent control of operating expenses helped boost operating income by 19.0% to $11,073,000, compared with $9,306,000 during the previous year. Profit margins also continued to grow, increasing from 11.8% in 2008 to 15.0% in 2009.

The Distribution sector recorded a $5,583,000 operating loss, compared with operating income of $1,182,000 in 2008. The unfavourable variance of $6,765,000 was due essentially to the decrease in operating revenues, a one-time charge for bad debts during the year, and a write-off of certain U.S. film rights inventories.

2009/2008 fourth quarter comparison

In the fourth quarter of 2009, TVA Group recorded operating income of $32,221,000, compared with $22,411,000 in the same quarter of 2008, a 43.8% increase. In the Television sector, normalized operating income increased by $4,772,000 or 24.6%, essentially because of growth in the normalized operating income of TVA Network (22.6%), the specialty services (26.2%) and Internet-related activities.

In the Publishing sector, operating income was $1,772,000, a slight $115,000 decrease from the same quarter of 2008. Advertising revenues declined 8.2% compared with the same quarter of 2008. As the decrease in revenues was partially offset by across-the-board operating cost control, the sector was able to report a 9.8% profit margin in the fourth quarter of 2009, compared with 9.7% in the same quarter of 2008, while continuing to protect its market share.

In the Distribution sector, operating results were more disappointing with an operating loss of $2,809,000 in the fourth quarter of 2009, compared with operating income of $1,077,000 in the same quarter of 2008. The significant decrease was due essentially to weaker sales volumes in 2009 in the video and television markets, a write-off of certain U.S. film rights inventories, and lower box office receipts for the films *Pour toujours les Canadiens* and *Bright Star* when comprared to the films released in the same quarter of 2008.

TELEVISION

The Television sector's operating revenues rose by $14,191,000 or 4.1% compared with the previous year, totalling $357,044,000 in 2009 against $342,853,000 in 2008. The growth was due mainly to the following factors:

- 2.0% growth in TVA Network's total operating revenues, including:
  - 0.9% growth in its advertising revenues;
  - 12.8% increase in other revenues from the Local Programming Improvement Fund created by the CRTC on September 1, 2009 and from our programming and marketing agreements with our affiliated stations;

- 14.0% increase in advertising revenues at the specialty services:
  - 14.0% growth at *LCN*;
  - five-fold increase in the advertising revenues of the *Argent* franchise during the year, with the addition of the *Argent/Money* sites since July 2009;
  - 11.3% decrease in the advertising revenues of the English-language channel *Mystery*;

- 19.4% increase in subscription revenues at our specialty channels:
  - all of TVA Group's specialty channels again increased their subscription revenues over the previous year;
  - the digital channel *Les idées de ma maison* accounted for nearly 29% of the growth;
  - the digital channels *Mystère, Argent* and *Prise 2* grew their combined subscription revenues by 33.3%;

- 11.3% growth in revenues from commercial production; and

- the inclusion of revenues generated by the *Canal Indigo* pay-per-view service for the period of September 1, 2008 to November 30, 2009 (11 months in 2009 versus 4 months in 2008). The service was sold to a company under common control of our parent company on December 1, 2009.

The advertising revenues of our Toronto conventional television station SUN TV dropped 9.3% against 2008 as a direct result of the economic slowdown, which had an important effect on Ontario's English-language conventional television advertising market.

During the Company's fiscal year, January 1, 2009 to December 31, 2009, TVA Network held on to its market share and even increased it slightly by 2%, while the V network (formerly TQS) saw its share shrink 8% and Société Radio-Canada (SRC) also lost 8% compared with the same period of 2008. Specialty channels continued increasing their market share at the expense of conventional broadcasters, capturing a 45.8% share of the French-language market in 2009, while the market share of the conventional French-language stations decreased 3%.

2009 versus 2008
Market share (%)

	2009	2008	Var.%	Difference
Conventionnal channels:				
TVA	27.1	26.7	**2%**	**0.4**
V	6.7	7.3	**-8%**	**-0.6**
SRC	13.0	14.1	**-8%**	**-1.1**
TOTAL	46.8	48.1	**-3%**	**-1.3**
French-language specialty	45.8	45.3	**1%**	**0.5**

Source: Survey BBM. French Quebec , January 1 to December 31 , M-S, 6a-6a, 2.

Our news channel, LCN, achieved an average 3.5% market share in 2009, compared with 2.7% for its main competitor, RDI. During the same period, TVA Network broadcast 23 of the 30 best-watched programs in Québec (20 in 2008); 15 of its programs garnered audiences of more than 1.5 million (12 in 2008) and 4 drew more than 2.4 million viewers. During the fall 2009 season, i.e. September 7 to December 13, 2009, TVA Network boasted all of the top 10 programs in Québec.

Operating expenses totalled $282,492,000 during the year, compared with $287,681,000 in the previous year. The $5,189,000 or 1.8% decrease in the sector's operating expenses was due to reversal of the $9,012,000 provision for CRTC Part II licence fees unpaid as of August 31, 2009 in view of the settlement reached in October 2009, including $7,189,000 for prior years. The impact of the adjustments to CRTC Part II licence fees is explained below.

On October 1, 2007, the CRTC issued a document stating that it would comply with the requirements of a decision rendered on December 14, 2006 regarding the payment of Part II licence fees and that it would not collect the fees payable on November 30 of each year unless a Superior Court overturned the Federal Court decision. Subsequent to this, in the third quarter of 2007, the Company reversed its liability of $3,238,000 relating to the Part II licence fees for the period from September 1, 2006 to September 30, 2007 and ceased to record any additional liabilities relating to these fees. On April 29, 2008, the Federal Court of Appeal handed down its decision, which found that the Part II licence fees are a valid regulatory charge, rather than a tax, and overturned the December 14, 2006 decision of the Federal Court. The plaintiff companies disputed the decision and filed an application for leave to appeal to the Supreme Court of Canada, which was approved on December 18, 2008. However, given the Federal Court of Appeal decision that confirmed the right of the CRTC to collect the Part II licence fees to which the Company is subject, the Company recorded in 2008 a total liability of $7,189,000 relating to the Part II licence fees for the period from September 1, 2006 to December 31, 2008. On October 7, 2009, the parties in this case, including the Company, signed an out-of-court settlement whereby, among other things, the plaintiff companies withdrew their legal challenge and monetary claims, and the government agreed not to claim the unpaid Part II fees for the period of September 1, 2006 through August 31, 2009. In view of this settlement, the Company reversed in the fourth quarter of 2009 a $9,012,000 provision for unpaid Part II licence fees for the period of September 1, 2006 to August 31, 2009. Under the out-of-court settlement, the government also undertook to recommend that the CRTC amend its regulations to reduce and cap the amount of the Part II fees for periods subsequent to August 31, 2009.

Below is a table of the normalized operating results for this sector that takes into account the above-mentioned adjustments relating to this dispute and the impact on the Company's results for recent quarters. This table presents the operating income and the operating expenses had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Management uses this measure to obtain comparable data in order to evaluate the performance of the sector and the Company.

Television sector	**For the three-month periods ended December 31**		**Years ended December 31**	
	2009	2008	**2009**	2008
Operating revenues	**$ 107,147**	$ 102,118	**$ 357,044**	$ 342,853
Operating expenses	**73,950**	82,705	**282,492**	287,681
Adjustment (Part II)	**9,012**	-	**9,012**	(4,139)
Normalized operating expenses	**82,962**	82,705	**291,504**	283,542
Normalized operating income	**$ 24,185**	$ 19,413	**$ 65,540**	$ 59,311

Normalized operating expenses amounted to $291,504,000 in 2009, compared with $283,542,000 in the previous year. The $7,962,000 (2.8%) increase in the sector's operating expenses was essentially due to:

- a 19.0% increase in normalized operating expenses at the specialty services due to spending on programs for all our French-language channels, including in particular *Les idées de ma maison* and *LCN*, as well as operating costs for the *Argent/Money* sites for six months. In addition, the English-language specialty channels *Mystery* and *mentv* made significant investments in Canadian programming;

- higher variable operating expenses related to the volume of commercial production activity and the inclusion of the operating expenses of the *Canal Indigo* pay-per-view service for the period of September 1, 2008 to November 30, 2009; and

- a 6.4% increase in SUN TV's normalized operating expenses, mostly in programming.

The Television sector generated operating income in the amount of $74,552,000 in 2009, compared with $55,172,000 in the previous year, an increase of 35.1%. On a comparable basis, normalized operating income increased by $6,229,000 or 10.5% in 2009 due to the following factors:

- a 12.7% increase in normalized operating income at TVA Network because of the increase in its operating revenues, with no increase in normalized operating expenses;

- a 13.9% increase in normalized operating income at the specialty services;

- higher operating income from stepped-up marketing of our Internet activities and commercial production;

Partially offset by:

- the 39.7% increase in SUN TV's normalized operating loss from $6,313,000 in 2008 to $8,822,000 in 2009;

- the decrease in operating income from the activities of TVA Boutiques.

Despite the difficult economic environment and the precarious financial position of some conventional broadcasters in Canada, TVA Network maintained and protected its market share and slightly increased its advertising revenues. TVA Group held a 32% share of the French-language television market in 2009, up one point from 2008. In recent years, TVA Group has branched out from its conventional broadcasting operation to become a creator, producer and broadcaster of content on all media platforms. In 2009, TVA Group's TVA Création division developed the concept for the program "La Collection," which was produced by TVA Productions, broadcast on TVA Network and repurposed for other platforms. This example illustrates TVA Group's new mission as a multi-platform brand/content manager.

2009/2008 fourth quarter comparison

During the fourth quarter, the Television sector's operating revenues grew $5,029,000 or 4.9%, rising from $102,118,000 in the fourth quarter of 2008 to $107,147,000 in the same quarter of 2009. All of the sector's businesses contributed to the growth. Most notably, the increase was due to:

- a 2.4% increase in TVA Network's operating revenues, including 1.0% growth in advertising revenues;

- a 21.8% increase in the specialty services' advertising revenues;

- a 17.7% increase in the specialty services' subscription revenues, led by:

  - *Les idées de ma maison* with a 58.4% increase;
  - *Mystère* with 44.0%;
  - *Prise 2* with 35.6%;
  - *Argent* with 18.1%;

- a 21.5% increase in commercial production and stepped-up marketing of our Internet activities.

Operating expenses were $73,950,000 for the fourth quarter, against $82,705,000 in the same period of 2008. Excluding adjustments related to CRTC Part II licence fees, operating expenses increased by $257,000 or 0.3% in the fourth quarter of 2009 compared with the same quarter of 2008, essentially as a result of:

- a 16.1% increase in normalized operating expenses at the specialty services, mainly because of investments in programming at a number of our channels;

- a 16.8% increase in SUN TV's normalized operating expenses, mostly for programming.

In the fourth quarter of 2009, the Television sector generated operating income of $33,197,000, against $19,413,000 in the same quarter of 2008. On a comparable basis, fourth-quarter normalized operating income increased by $4,772,000 or 24.6%. Improvements in normalized operating income at TVA Network, the specialty services and our Internet activities were partially offset by an increase in SUN TV's adjusted operating loss from $1,418,000 in the fourth quarter of 2008 to $1,771,000 in the same quarter of 2009.

PUBLISHING

Operating revenues for the Publishing sector were $73,974,000 in 2009, against $78,606,000 in the year ended December 31, 2008. The decrease of $4,632,000 or 5.9% was due mainly to:

- a 10.2% decrease in advertising revenues, mainly attributed to the decor and entertainment magazines;

- a 12.8% decrease in revenues, with a 10.5% drop at *TV Hebdo* magazine and the closing of *Filles Clin d'oeil* magazine;

- a 2.8% decrease in newsstand revenues.

Competition remains strong in this sector. The magazine industry is being impacted by trends driven by new media such as the Internet, and this can be expected to continue going forward. Nevertheless, TVA Group remains the largest French-language publisher in Québec. Our weeklies reach close to 2.9 million readers per week according to PMB (Print Measurement Bureau) figures. The showbiz and celebrity news magazine *7 Jours* alone has 900,000 readers. TVA Group is the leader in newsstand sales, holding over 72% of the newsstand market for French-language magazines in Québec and 49% of unit sales of French-language magazines in Québec (source: Audit Bureau of Circulation, December 31, 2009).

The publishing sector's operating expenses were $62,901,000 in 2009 against $69,300,000 in the previous year. The decrease of $6,399,000 or 9.2% was due primarily to lower printing and packaging costs resulting from lower page count at some magazines, some format changes and lower printing rates, despite the addition of new magazines during the year. The Company reduced the bonuses offered in its magazines as well as its labour costs through improved efficiencies, and downsized some advertising and promotional campaigns. The decrease in operating expenses was the product of ongoing stringent management of the Company's publishing activities in the current difficult industry environment.

Operating income was $11,073,000 for the year against $9,306,000 in the previous year. The sector achieved the 19.0% increase in operating income by cutting its operating expenses by a greater portion than its decrease in operating revenues. The entertainment magazines, accounted for the bulk of the increase in operating income as they recorded the most significant cost reductions and were less affected by decreases in advertising revenues. Despite these decreases in operating expenses, the company intends to continue in its efforts to protect its leading market position and will undertake all necessary steps to this effect, all while continuig to capitalize on its brands to develop new revenue streams.

2009/2008 fourth quarter comparison

The Publishing sector's operating revenues were $18,121,000 in the fourth quarter of 2009, against $19,508,000 in the same quarter of 2008, a 7.1% decrease. Quarterly advertising revenues decreased 8.2% compared with the same quarter of 2008, while newsstand revenues fell 3.9%, largely because of a drop at *Dernière Heure* magazine, which is now published biweekly instead of weekly. Subscription revenues decreased 6.0%, mainly because of the lower sales of the print version of *TV Hebdo* magazine and the closing of *Filles Clin d'oeil* magazine. Custom publishing revenues decreased 35.3% in the fourth quarter of 2009 compared with the same quarter of 2008 because some magazines were not published in 2009.

The sector's operating expenses in the fourth quarter were $16,349,000 against $17,621,000 in the same quarter of 2008, a 7.2% decrease. The decrease in operating expenses was due to lower printing costs, a decline in the added value of some magazines, lower labour costs for editorial and graphics, and lower selling costs as a result of decreased advertising revenues. Subscription campaigns performed in the fourth quarter of 2009 cut into the above-mentioned savings.

The sector's operating income decreased by $115,000 or 6.1% from $1,887,000 in the fourth quarter of 2008 to $1,772,000 in the same quarter of 2009. The drop in operating revenues largely accounted for the decrease in quarterly operating income, but it was offset to a large extent by the reduction in operating expenses. However, the Company was able to maintain a 9.8% profit margin, slightly higher than the 9.7% recorded in the same quarter of 2008.

DISTRIBUTION

Operating revenues for the Distribution sector were $12,424,000 in 2009, compared with $19,236,000 in the year ended December 31, 2008. The 35.4% decrease was essentially due to:

- a 27.2% decrease in revenues from theatrical releases:
  - in 2009, only the film *Dédé à travers les brumes* generated box office receipts comparable to *Dans une galaxie près de chez vous 2*, *Borderline* and *Religulous* in 2008;
  - several 2009 films, including *Pour toujours les Canadiens* and *Bright Star*, had disappointing box office receipts;

- a 26.7% decrease in revenues from video releases, due primarily to postponed and cancelled releases, as well as a general decline in DVD sales in Québec in 2009;

- a 52.3% decrease in sales of television rights as a direct result of the financial position of some Canadian broadcasters; and

- very weak international sales in 2009.

Some sales of rights were made to entities that belong to our Television sector. The operating income that appears under the heading "Intersegment items" in the note on segmented information represents the realized (unrealized) portion of the profit recognized on sales made last year and in previous years in the Distribution sector.

The sector recorded a $5,583,000 operating loss for the year, compared with operating income in the amount of $1,182,000 in the previous year. The significant decrease was mainly due to:

- a negative profit margin as a result of the low operating revenues, particularly for theatrical releases;

- weaker video and television sales volumes;

- a $1,159,000 increase in the charge for bad debts, mostly because of amounts due from a customer that is operating under the protection of the *Companies' Creditors Arrangement Act*; and

- a write-off of certain U.S. film rights inventories.

2009/2008 fourth quarter comparison

Operating revenues for the Distribution sector totalled $4,433,000 for the fourth quarter of 2009, compared with $6,891,000 for the same period of 2008. The 35.7% decrease was mainly due to:

- a 46.7% decrease in box office revenues related primarily to weak receipts generated by our theatrical releases during the last quarter compared with releases in the same quarter of 2008;

- a 23.2% decrease in video revenues, with fewer releases than in the same quarter of 2008; and

- a 66.9% decrease in sales of television rights.

The Company also took a $994,000 write-off on rights to certain films. As a result of all these factors, the sector recorded a $2,809,000 operating loss, compared with operating income of $1,077,000 in the same quarter of 2008.

AMORTIZATION

Amortization of property, plant and equipment and intangible assets totalled $14,274,000 in 2009, compared with $13,468,000 in the previous year.

In the fourth quarter of 2009, amortization of property, plant and equipment and intangible assets totalled $3,911,000, compared with $3,580,000 in the same quarter of 2008.

The increases reflect rising expenditures for property, plant and equipment and intangible assets in recent years particularly in connection with the Company's capital expenditures plan for the transition to high definition (HD) broadcasting and production in its Television sector.

FINANCIAL EXPENSES (REVENUES)

Financial expenses totalled $2,960,000 during 2009, compared with $1,760,000 in the previous year.

The $1,200,000 increase in financial expenses in 2009 compared with 2008 was essentially due to:

- a foreign exchange loss of $342,000 in 2009, compared with a foreign exchange gain of $477,000 in 2008;

- a significant $1,147,000 decrease in interest income in 2009, due primarily to interest income related to a tax refund resulting from a favourable decision rendered on a tax matter and the receipt of production tax credits in 2008;

Partially offset by:

- a $832,000 favourable variance in interest on the Company's long-term debt.

In the fourth quarter of 2009, the Company recorded financial expenses of $1,017,000, compared with financial revenues of $253,000 in the same quarter of 2008.

Also in the fourth quarter, the Company recorded interest income of $177,000 ($675,000 in the same quarter of 2008), consisting essentially of interest related to tax refunds resulting from favourable decisions in tax cases. The Company also recorded a foreign exchange loss of $235,000, resulting essentially from the Distribution sector's operations. The total interest expense on long-term debt decreased in comparison with the same quarter of 2008, mainly because of lower average interest rates in 2009 and lower average debt levels than in the same quarter of 2008. As well, following the refinancing of its long-term debt on December 11, 2009, the Company bought back its interest rate swap, which was to expire on March 1, 2010, for $161,000, which was recognized under interest on long-term debt.

OPERATIONAL RESTRUCTURING COSTS

Based on new information, the Company reduced its provision for restructuring costs related to the activities of a former subsidiary by $794,000 during the year.

During the previous year, the Company recorded a $184,000 provision for restructuring costs for severance pay following the elimination of a position in the Television sector.

INCOME TAXES

During the year, the Company recorded an income tax expense of $17,098,000, for an effective rate of 26.9%, compared with an income tax expense of $8,317,000 and an effective rate of 16.5% in the previous year. In light of developments in tax audits, jurisprudence and tax legislation, the Company reduced its future tax liabilities by $2,894,000 ($6,794,000 in 2008). In 2008, the Company recorded a gain of $657,000 as a result of a favourable decision rendered on a tax matter. Excluding the tax savings reported for 2009 and 2008, the income tax rate would have been 31.4% and 31.2% respectively.

In the fourth quarter, the Company recorded an income tax expense of $7,013,000 for an effective rate of 25.7%, compared with an income tax expense of $5,469,000 and an effective rate of 28.7% in the same quarter of 2008. In light of developments in tax audits, jurisprudence and tax legislation, the Company reduced its future tax liabilities by $1,296,000 (nil in the same quarter of 2008). In the fourth quarter of 2008, the Company recorded a gain of $657,000 as a result of a favourable decision rendered on a tax matter. Excluding the tax savings reported for the fourth quarters of 2009 and 2008, the income tax rate would have been 30.4% and 32.1% respectively.

NON-CONTROLLING INTEREST

Non-controlling interest for 2009 was $1,906,000, against $1,802,000 for the previous year. Non-controlling interest for the fourth quarter of 2009 was $254,000, compared with $433,000 for the same quarter of 2008. Non-controlling interest represents Sun Media Corporation's share in SUN TV's net loss. The favourable variance for the year 2009 compared with the previous year resulted from a higher net loss in 2009 than in 2008. The unfavourable variance for the quarter was due to the fact that the amount of non-controlling interest was limited to the balance of non-controlling interest on the Company's balance sheet. The balance of non-controlling interest recorded under long-term liabilities is now nil ($1,906,000 at December 31, 2008).

As the non-controlling interest was reduced to nil during the fourth quarter of 2009, the Company now reports 100% of SUN TV's results in its consolidated results.

SHARE OF INCOME FROM COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Share of income from companies subject to significant influence was $728,000 for 2009, compared with $889,000 for the previous year. For the fourth quarter, share of income from companies subject to significant influence was $531,000, compared with $496,000 for the same quarter of 2008. These variances were due to favourable and unfavourable changes in the financial results of a television company in comparison with the same period of last year.

NET INCOME

TVA reported net income of $49,123,000, or $2.05 per diluted share, for the year ended December 31, 2009, compared with net income of $44,912,000, or $1.78 per diluted share, for the previous year.

The calculation of per-share amounts was based on a weighted average of 23,916,945 outstanding diluted shares for the year ended December 31, 2009, and on a weighted average of 25,293,708 outstanding diluted shares for the year ended December 31, 2008.

The increase in net income was due primarily to the considerable $14,077,000 improvement in operating income, which was partially offset by the $8,781,000 increase in income tax resulting from higher pre-tax income and lower tax savings in 2009 than in 2008.

2009/2008 fourth quarter comparison

TVA Group reported net income of $21,065,000, or $0.89 per diluted share, for the fourth quarter of 2009, compared with $14,544,000, or $0.61 per diluted share, for the corresponding period of 2008. The increase in net income resulted from the $9,810,000 increase in operating income, less related income taxes.

Calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the fourth of 2009 and on a weighted average of 24,024,206 outstanding diluted shares for the same quarter of 2008.

Quarterly financial data
(in thousands of dollars, except for per-share data)
For the three-month periods ended

	2009			
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	**$128,454**	$ 89,185	$111,531	$109,799
Operating income	**$ 32,221**	$ 10,341	$ 25,125	$ 12,340
Net income	**$ 21,065**	$ 6,390	$ 15,173	$ 6,495
Basic per-share data				
Net income	**$ 0.89**	$ 0.27	$ 0.63	$ 0.27
Weighted average number of shares outstanding (in thousands)	**23,771**	23,894	23,979	24,024
Diluted per-share data				
Net income	**$ 0.89**	$ 0.27	$ 0.63	$ 0.27
Weighted average number of diluted shares outstanding (in thousands)	**23,771**	23,894	23,979	24,024

	2008			
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	$126,960	$ 92,249	$ 111,054	$106,460
Operating income	$ 22,411	$ 10,849	$ 21,698	$ 10,992
Net income	$ 14,544	$ 11,954	$ 12,913	$ 5,501
Basic per-share data				
Net income	$ 0.61	$ 0.50	$ 0.49	$ 0.20
Weighted average number of shares outstanding (in thousands)	24,024	24,024	26,102	27,025
Diluted per-share data				
Net income	$ 0.61	$ 0.50	$ 0.49	$ 0.20
Weighted average number of diluted shares outstanding (in thousands)	24,024	24,024	26,147	27,026

Most of the Company’s operating revenues are derived from the sale of advertising. These advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Company’s second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television sector.

Operating expenses in the Television sector vary, mainly as a result of programming costs. In the Company’s Publishing and Distribution sectors, operating costs fluctuate according to, respectively, the arrival of magazines on newsstands and the release of films on the market.

In recent years, growing use of the Internet, fragmentation of television audiences and content digitization have opened new content-distribution platforms and changed consumer habits. These developments have resulted in fragmentation of the advertising market at the expense of conventional television and traditional media. In order to respond to this trend, TVA Group relies on its ability to create, develop and produce quality content in all areas, for every possible platform, and invests significantly in launching specialty services so that it can continue to reach the broadest possible audience and constantly meet its advertisers' needs.

CASH FLOWS AND FINANCIAL RESOURCES

The following Table shows a summary of cash flows provided by operating activities, investing activities and financing activities.

(in thousands of dollars)		**Years ended December 31 2009**		2008
Cash flows from operating activities	**$**	**29,110**	$	45,593
Additions to property, plant and equipment and intangible assets		**(22,971)**		(21,881)
Class B share redemption		**(2,581)**		(51,415)
Dividends paid		**(4,786)**		(5,105)
Other		**2,188**		(456)
Net decrease (increase) in debt	**$**	**960**	$	(33,264)
Position at the end:				
Long-term debt	**$**	**88,580**	$	93,705
Bank overdraft		**974**		147
Less: cash		**(1,924)**		(5,262)
Net debt	**$**	**87,630**	$	88,590

OPERATING ACTIVITIES

Cash flows provided by operating activities amounted to $29,110,000 in 2009, compared with $45,593,000 in the previous year. The $16,483,000 decrease was due to a $21,022,000 increase in the use of cash for working capital, which was partially offset by a $4,539,000 increase in current operating activities. The increase in the use of funds for working capital was due to an increase in accounts receivable, mainly in respect to certain customers such as advertising agencies, as at December 31, 2009, and temporary differences in the payment of accounts payable and accrued liabilities, which were offset by lower expenditures for current income taxes by the Company.

During the fourth quarter, cash flows from operating activities amounted to $10,707,000, compared with $15,914,000 for the same period of 2008. The $5,207,000 decrease was essentially due to the unfavourable variance in accounts receivable, which was partially offset by a favourable variance in current income taxes.

INVESTING ACTIVITIES

Additions to property, plant and equipment and intangible assets increased by $1,090,000 or 5.0% from $21,881,000 in 2008 to $22,971,000 in 2009. As in the previous year, this spending consisted mainly of major capital expenditures in the Television sector, more specifically for technical equipment related to the transition to digital and high definition in both production and broadcasting, as well as the implementation of information and management softwares for the operation of the sector's conventional television stations and specialty services. The Company is on schedule and proceeding apace with its capital expenditure plan aimed at completing the transition to digital and high definition, which will entail capital expenditures in the order of $56,000,000 between now and 2013.

Although these investments are greater than normal annual capital expenditures, the Company does not anticipate any material negative effects on its future results in regard to these investments and has sufficient financial resources to carry them out. As it makes these investments, the Company is also reviewing business processes with a view to improving the organizational efficiency of the entire Television sector.

During the fourth quarter, additions to property, plant and equipment and intangible assets totalled $6,066,000, comparable to the $6,530,000 figure recorded in the same quarter of 2008.

In the first quarter of 2008, the Company made an additional capital investment of $490,000 in the Canal Indigo S.E.N.C. pay-per-view service, in which it already held a 20% interest, for the purpose of covering current operations. On February 15, 2008, the Company signed an agreement with the other partners to purchase all of the units of Canal Indigo S.E.N.C. for a total amount of $105,000. On July 18, 2008, the CRTC approved the transaction and it was finalized and settled with the partners on August 31, 2008. On December 1, 2009, following CRTC approval, the Company disposed of a company under common control of its parent company, the operating licence and the assets of *Canal Indigo* for the amount of $105,000. Since that date, the results of *Canal Indigo* have no longer been recorded on the Company's books.

On June 27, 2009, a subsidiary in which the Company holds a 75% interest, SUN TV Company, the operator of the SUN TV television channel, carried out a transaction to reduce the tax consolidation put in place on July 12, 2005 with its non-controlling shareholder Sun Media Corporation, a company under common control of the parent company QMI. To realize this transaction, SUN TV Company received full repayment of the convertible bonds of Sun Media Corporation in the amount of $9,750,000, in consideration of which SUN TV Company repurchased from Sun Media Corporation all the preferred shares redeemable at the option of the holder, carrying a 10.85% fixed cumulative dividend, for the amount of $9,750,000. The impact of the transaction for the Company, on a consolidated level, has been to reduce a long-term investment in convertible bonds by $9,750,000 and to reduce the redeemable preferred shares disclosed under the heading “Non-controlling interest and redeemable preferred shares” by the same amount.

During 2009, our parent company, QMI, wound up Canoë Inc., which was 86.2% owned by QMI and 13.8% by TVA Group, and its assets were distributed proportionally to shareholders. All of the transactions arising from this winding-down were recorded at the carrying amount of the assets transferred between the affiliated companies, and a $7,247,000 adjustment was recorded directly in the Company's retained earnings. This adjustment represents the difference between the $11,262,000 carrying amount of TVA Group's investment in Canoë and the $4,015,000 net carrying amount of the assets received on wind-up, consisting of $2,000,000 in cash, three portals totalling $700,000, including the *Argent/Money* site, and the related income tax benefits of $1,315,000.

FINANCING ACTIVITIES

During the year 2009, cash flows were used for net debt reduction in the amount of $960,000, whereas there was a net debt increase of $33,264,000 in 2008. The favourable variance was due to the fact that in June 2008, the Company had to use its bank debt for a major share repurchase in the amount of $51,415,000.

On December 11, 2009, the Company concluded the refinancing of its bank debt through a 5-year term loan in the amount of $75,000,000 and the renewal of its revolving credit facility for an amount of $100,000,000 for three years. The term loan bears interest at an annual rate of 5.54%, payable on June 15 and December 15 of each year. The revolving credit facility bears interest at a variable rate based on Bankers' Acceptance rate or the prime rate plus a premium based on the ratio of total debt to operating income before interest, income tax, amortization and other items. The term loan expires and is repayable in full on December 11, 2014. The credit facility expires and is repayable in full on December 11, 2012. The available undrawn balance of the revolving credit facility as of December 31, 2009 was $84,515,000, compared with $64,575,000 as at December 31, 2008.

On March 17, 2009, the Company filed a notice of intent to repurchase for cancellation between March 19, 2009 and March 18, 2010, in the normal course of its activities, a maximum of 985,210 Class B shares, which represent approximately 5% of the Company's outstanding Class B shares. The Company is repurchasing its Class B shares at the market price at the time of the purchase, plus brokerage fees. No shares were repurchased during the fourth quarter of 2009. In the course of 2009, the Company repurchased and cancelled 253,300 shares for a net cash consideration of $2,581,000.

On April 1, 2008, the Company filed a substantial issuer bid to redeem for cancellation up to 2,000,000 of its participating Class B non-voting shares, for a cash consideration of $17.00 per share. On May 14, 2008, the Company filed a notice to amend and extend its initial offer in order to bring the number of shares redeemable under the offer to a maximum of 3,000,000 and the offer was extended until June 2, 2008. On June 2, 2008, taking into account the proration factor, adjustments for odd lot purchases and to avoid the creation of irregular lots, the Company took up 3,000,642 Class B shares of its capital stock from this issuer bid, for a total consideration of $51,010,914, plus $404,000 in transaction fees. The Class B shares redeemed for cancellation under this issuer bid represented 13.2% of the 22,704,848 Class B shares issued and outstanding before the redemption.

2009/2008 fourth quarter comparison

In the fourth quarter of 2009, operating activities generated cash flows in the amount of $10,707,000, which were used mainly to pay for additions to property, plant and equipment and intangible assets totalling $6,066,000, to pay refinancing costs in the amount of $1,362,000, and dividends of $1,188,000.

FINANCIAL POSITION

As at December 31, 2009, the consolidated debt ratio as measured by the debt-to-shareholders' equity ratio stood at 27:73 or 0.37, compared with 32:68 or 0.47 at December 31, 2008. The reduction of the debt ratio was due to the increase in shareholders' equity generated by the 2009 results.

The Company's long-term debt decreased by $5,125,000 from $93,705,000 as at December 31, 2008 to $88,580,000 at December 31, 2009. The deferred financing costs are presented as a reduction of long-term debt on the Company's balance sheet.

The dividends paid by the Company during the fiscal year amounted to $0.20 per share. Considering the share redemptions carried out in 2009 and 2008, the total amount paid by the Company to its shareholders in dividends was lower than the total amount paid in 2008.

Company management believes that the cash flows generated by the operating activities pursued and the sources of financing available should be sufficient to meet its commitments in regard to capital investment, working capital, interest payments, debt repayment, pension plan contributions and dividend payments (or distribution of capital) in the future.

Under its credit agreements, the Company is subject to certain restrictions, including requirements to maintain certain financial ratios. As at December 31, 2009, the Company was in compliance with the terms of its credit agreements.

CAPITAL STOCK

The following table provides data on the Company's capital stock as at February 15, 2010.

Number of shares outstanding as at February 15, 2010

Class A common shares	4,320,000
Class B shares	19,450,906
	23,770,906

Vested stock options for year ended December 31, 2009

	Conventional Class B Stock options	Quebecor Media Inc. stock options
Balance as at December 31, 2008	975,155	245,984
Exercised	-	(19,335)
Balance as at December 31, 2009	975,155	226,649

Of the vested options as at December 31, 2009, 428,383 conventional Class B stock options at an average exercise price of $17.47 and 57,068 Quebecor Media Inc. stock options at an average exercise price of $45.55 could be exercised.

THREE-YEAR FINANCIAL INFORMATION
(in thousands of dollars, except for per-share data)

	Year ended December 31, 2009	Year ended December 31, 2008 (restated)	Year ended December 31, 2007 (restated)
Operating revenues	**$ 438,969**	$ 436,723	$ 415,486
Net income	**49,123**	44,912	38,726
Basic and diluted earnings per share	**2.05**	1.78	1.43
Total assets	**485,523**	474,639	457,545
Long-term debt	**88,580**	93,705	56,116
Dividends per share			
Class A shares	**0.20**	0.20	0.20
Class B shares	**0.20**	0.20	0.20

The increase in operating revenues between 2007 and 2008 was mainly the result of the Television sector's growth across all of its activities except for SUN TV, which recorded a decrease in operating revenues. Operating revenues were stable in the Distribution sector and decreased slightly, by 1.6%, in the Publishing sector because of pressure on advertising revenues. Operating income grew by 11.1% between 2007 and 2008, essentially because of operating income increases at TVA Network and the specialty channels, and an 18.9% increase in the Publishing sector.

The growth in net income between 2008 and 2009 was essentially due to a $14,077,000 in operating income, which was generated in part by the reversal of the $9,012,000 provision for CRTC Part II licence fees unpaid as of August 31, 2009 in view of the settlement, increased operating income from the specialty channels, and the growth of the Publishing sector.

Long-term debt was increased in 2008 to finance the major $51,415,000 repurchase of shares.

The growth in total assets between December 31, 2009 and on December 31, 2008 was essentially due to an increase in current assets, mainly in accounts receivable, while the total asset growth between December 31, 2007 and December 31, 2008 was mainly due to the increase in broadcast and distribution rights, combined with additions to property, plant and equipment

RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company sold advertising space, recorded subscription revenues and provided production, postproduction and other technical services to companies under common control and affiliated companies in the total amount of $55,669,000 ($48,385,000 for 2008). Transactions with related companies are recorded at exchange value, as negotiated by the parties.

For the year ended December 31, 2009, the Company recorded charges for broadcast rights, communication services, access rights, advertising space and professional services under transactions with companies under common control and affiliated companies totalling $18,906,000 ($14,899,000 for 2008).

The Company also recorded management fees to the parent company in the amount of $4,224,000 for 2009 ($4,100,000 for 2008).

World Color Press Inc. (formerly Quebecor World Inc.)

In 2008, the Company acquired from subsidiaries of QMI receivables from World Color Press Inc. totalling $10,497,000 in consideration of a payment of $10,272,000. Following these transactions, the Company recorded a gain of $225,000, which was accounted for as contributed surplus.

In 2009, the Company acquired from subsidiaries of its parent company, QMI, receivables from World Color Press Inc. totalling $1,384,000 in consideration of a payment of $1,354,000. Following these transactions, the Company recorded a gain of $30,000, which was accounted for as contributed surplus.

Legal proceedings were brought against the Company by World Color Press Inc. in connection with the termination of the printing and related services provided to the Company by World Color Press Inc. World Color Press Inc. is also asking that the transfers of receivables from other QMI subsidiaries to the Company, and the related payments, be declared invalid. The entities that transferred the receivables have undertaken to compensate the Company in full if the transfers and payments should be declared invalid. The total amount being claimed in these legal proceedings is approximately $15,500,000. The outcome of these proceedings cannot be determined with certainty. However, management believes that the claims are without merit and intends to defend its position vigorously. As of December 31, 2009, the proceedings were still in progress.

COMPLEMENTARY INFORMATION

CONTRACTUAL COMMITMENTS

At December 31, 2009, the Company's material contractual obligations included capital repayment and interest on long-term debt; payments under distribution and broadcasting rights acquisition contracts; and payments under other contractual commitments, such as operating leases for services and office space. These contractual commitments are summarized in the following table.

Material contractual commitments of TVA Group at December 31, 2009
(in thousand of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ -	$ 14,927	$ 75,000	$ -	$ 89,927
Payment of interests	5,319	10,639	8,310	-	24,268
Broadcast and distribution rights	63,430	29,319	1,067	-	93,816
Other commitments	8,621	5,994	1,785	1,162	17,562
Total	$ 77,370	$ 60,879	$ 86,162	$ 1,162	$ 225,573

[1]: Estimated interest payable on floating-rate long-term debt is based on interest rates as of December 31, 2009.

OTHER COMMITMENTS

On June 29, 2009 the Company undertook to become sole owner of the SUN TV television station and paid Sun Media Corporation $2,000,000 for this purpose. On December 1, 2009, the CRTC approved the Company's request. The transaction is still subject to certain conditions.

GUARANTEES

In the normal course of its operations, the Company provides indemnification agreements to counterparties in transactions such as purchase contracts, service agreements and leasing transactions. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amounts have been accrued, since the Company does not expect to make any payments pertaining to these agreements.

The Company has guaranteed a portion of the residual values of certain assets under operating leases to the benefit of the lessor. If the fair value of the assets, at the end of their respective lease terms, is less than the residual value guaranteed, then the Company must, under certain conditions, compensate the lessor for a portion of the shortfall. The maximum exposure in respect of these guarantees is approximately $591,000. As at December 31, 2009, the Company did not record any liability related to these guarantees.

CRITICAL ACCOUNTING POLICIES

GOODWILL

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps.

In the first step, the fair value of a reporting unit is compared with its carrying amount. To determine the fair value of the reporting unit, the Company uses a combination of valuation methods, including discounted future cash flows and operating income multiples.

The discounted future cash flows method involves the use of estimates such as the amount and timing of a series of cash flows, expected variations in the amount or timing of the cash flows, the time value of money as represented by the risk-free interest rate, and the risk premium associated with the asset or liability.

The operating income multiples method requires the availability of information pertaining to the fair value of companies with comparable and observable economic characteristics, as well as of recent operating income multiples.

Therefore, determining the fair value of a reporting unit requires judgment and involves complete reliance on estimates and assumptions.

When the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is carried out. The fair value of the reporting unit's goodwill is compared with its carrying amount in order to measure the amount of the impairment loss, if any.

The fair value of goodwill is determined in the same manner as a business combination. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of the unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the fair value of goodwill.

The Company performed its impairment tests for goodwill on April 1, 2009 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

LICENCES

Licences, which include broadcast licences, represent the cost of acquiring rights to operate broadcasting stations and have an indefinite useful life.

These licences are tested for impairment annually or are re-evaluated where events or changes in circumstances so require. The carrying value of the licences are compared with their fair value and any unfavourable variances are charged to the Company's results.

The Company uses the "Greenfield" valuation method to determine the fair value of its broadcast licences. This method involves calculating the costs that a new player would incur to operate its licence in a context where the licence is the only asset it has at start-up.

These costs must take into consideration the investment needed to build the network or station, including pre-operating costs to establish the brand and the sales force. This approach separates the value of the licence from the value of other assets based on the following assumptions:

- The only asset owned by the Company at the date of the valuation is the broadcast licence itself. The Company has not started to broadcast, and no network exists for it to carry out its

operations. It must therefore acquire programming rights and put in place the broadcast infrastructure required for its operation.
- Investments and expenses related to other assets on the balance sheet (e.g., working capital, qualified personnel, software) must be taken into account in the forecasted cash flows.
- The level of financial performance must correspond to the level that the industry in general is able to achieve.

Furthermore, terminal cash flows are fully attributable to the licence held on the date of the valuation.

This approach is based on the assumption that a potential market exists. The only constraint is the time that it will take the company to reach its mature market share.

This method takes into account the significant costs involved in marketing and the acquisition of programming rights. General, sales and administrative, and pre-operating costs must also be included in the calculation in order to evaluate the cash flows attributable to the licence. Lastly, the cash flows must be actualized to determine the final value attributable to the licence.

The Company performed its impairment tests for broadcasting licences on April 1, 2009 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

PENSION PLANS AND POST-RETIREMENT BENEFITS

The Company offers its employees defined benefit and defined contribution pension plans. The Company's policy is to maintain its contributions at a sufficient level to cover benefits. Actuarial valuations have been performed of the Company's various pension plans in the last three years. Pension plan assets, based on fair value, consist of equities and corporate and government fixed-income securities.

The Company's obligations with respect to post-retirement benefits are assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of the Company's actuaries. Key assumptions relate to the discount rate, the expected return on the plan's assets, and the rate of increase in compensation.

The Company considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and post-retirement benefits in future periods.

FUTURE INCOME TAXES

The Company is required to assess the probability of the realization of the future income tax assets generated from temporary differences between the book basis and tax basis of assets and liabilities and losses carry-forward in the future. This assessment is judgmental in nature and dependent on assumptions and estimates regarding the availability and character of future taxable income. The ultimate amount of future income tax assets realized could be materially different from those recorded, as it is influenced by future operating results of the Company.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, and which resulted in the withdrawal of Section 3450, *Research and Development Costs*, and of Emerging Issues Committee ("EIC") Abstract 27, *Revenues and Expenditures During the Pre-operating Period*, and which resulted also in the amendment of Accounting Guideline ("AcG") 11, *Enterprises in the Development Stage*. This new standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, whether those assets are separately acquired or internally developed, as well as it clarifies the application of the concept of matching revenues and expenses. This new section was applied retroactively with restatement of previous periods. Subsequent to the adoption of this section, the Company reclassified the net carrying value of its softwares and Web sites from property, plant and equipment to intangible assets and wrote off the undepreciated balance of deferred start-up costs for specialty channels included under Other assets as well as related future tax liabilities. The writing off of these balances was recorded as an adjustment of retained earnings at the beginning of the period. Net income ended December 31, 2008 was also corrected in order to recognize start-up costs for the *Les idées de ma maison* specialty channel, launched in February 2008, as operating, selling and administrative expenses, to reverse the amortization expense for deferred start-up costs for specialty channels and to reverse the future tax expense related to these items. This resulted in the following adjustments being recognized in the consolidated financial statements:

Consolidated Balance Sheets

Increase (decrease)	December 31, 2008	January 1, 2008
Property, plant and equipment	$ (11 235)	$ (8 187)
Intangible assets	11,235	8,187
Other assets	(854)	(1,020)
Future long-term income tax liabilities	(264)	(322)
Retained earnings	(590)	(698)

Consolidated Statements of Income

Increase (decrease)	Year ended December 31, 2008
Operating, selling and administrative expenses	$ 352
Amortization of deferred start-up costs	(518)
Future income tax expense	58
Net income	$ 108
Basic and diluted earnings per share	$ 0.01

In June 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*. This section has been amended to introduce new financial disclosure requirements, particularly with respect to fair value measurement of financial instruments and entity exposure to liquidity risk. On December 31, 2009, the Company adopted the amendments to this section. All the new financial disclosure requirements related to this section are presented in note 22 to the consolidated financial statements. These amendments had little material impact on the consolidated financial results.

RECENT ACCOUNTING DEVELOPMENTS IN CANADA

The Canadian Institute of Chartered Accountants issued three new accounting standards in January 2009 - Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, to internationally converge the accounting for business combinations and the reporting of non-controlling interests in consolidated financial statements.

Section 1582, *Business Combinations*, replaces Section 1581, *Business Combinations*, and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in retained earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination will no longer be considered part of the acquisition accounting and will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. In addition, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company has not early adopted the new rules as permitted. This new Section will only have an impact on the Company’s consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*, apply to the accounting for non-controlling interests and transactions with non-controlling interests holders in consolidated financial statements. The new Sections require that non-controlling interests to be presented as a separate component of shareholders' equity. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and will be adopted concurrently with Section 1582.

In February 2008, Canada’s Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). For its 2011 interim and annual financial statements, the Company will be required to report under IFRS and to provide IFRS comparative information for the 2010 financial year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. As part of the IFRS conversion project, the Company has established an implementation team, which includes a project manager, senior levels of management from all relevant departments and subsidiaries, a steering committee to oversee the project, and has also engaged an external expert advisor to assist.

Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS conversion project has been established.

The conversion project consists of four phases.

"Diagnostic" Phase – This phase involves a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and a high-level assessment of potential consequences on financial reporting, business processes, internal controls, and information systems.

"Design and Solutions Development" Phase – This phase involves prioritizing accounting treatment issues and preparing a conversion plan, quantifying the impact of converting to IFRS, reviewing and approving accounting policy choices, performing a detailed impact assessment and designing changes to systems and business processes, developing IFRS training material, and drafting IFRS financial statement content.

"Implementation" Phase – This phase involves embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet and tax impacts, parallel accounting under Canadian GAAP and IFRS, and preparing detailed reconciliations of Canadian GAAP to IFRS financial statements.

"Post-Implementation" Phase – This phase involves conversion assessment, evaluating improvements for a sustainable operational IFRS model, and testing the internal controls environment.

The Company has completed the diagnostic phase and the project design, has developed solutions for most of the important topics and is continuing to develop and execute its project implementation strategy. Full training has been provided to key employees and further investment in training and resources will be made throughout the transition to facilitate a timely and efficient changeover to IFRS.

Management has assessed the exemptions from full retrospective application available under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, and their potential impacts on the Company's financial position.

Upon adoption of IFRS, the exemptions that could result in material impacts being considered by the Company are as follows:

Exemption	Application of exemption
Business Combinations	The Company expects to elect not to restate any business combinations that occurred prior to January 1, 2010.
Employee Benefits	The Company expects to elect to recognize cumulative actuarial gains and losses arising from all of its defined benefit plans in opening retained earnings on transition.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Differences with respect to recognition, measurement, presentation and disclosure of financial information are expected to be in the following key accounting areas:

Key accounting area	Differences with potential impact for the Company
Presentation of Financial Statements (IAS 1)	• Additional disclosures in the notes to financial statements.
Property, Plant and Equipment (IAS 16)	• Componentization of significant real estate for separate amortization over a shorter useful life. • No capitalization of start up costs incurred on certain built-to-suit assets prior to substantial completion.
Impairment of Assets (IAS 36)	• Grouping of assets in cash generating units (CGU) on the basis of independent cash inflows for the purpose of impairment testing, using a discounted cash flow method (DCF) in a single-step approach. • Goodwill is allocated to and tested in conjunction with its related CGU or group of CGUs that benefit from the collective synergies. • • Under certain circumstances, previous impairment taken (other than goodwill) is required to be reversed.
Income Taxes (IAS 12)	• The recognition and measurement criteria for deferred tax assets and liabilities may differ.
Employee Benefits (IAS 19)	• Immediate recognition of vested past service costs to opening retained earning at transition and to income subsequent to transition. • After transition, an entity may recognize actuarial gains and losses, as they occur, in Other Comprehensive Income (OCI), with no impact to income. • The limit to which a net benefit asset can be recognized under certain circumstances ("asset ceiling") under IFRS is calculated differently and may have a material impact at the date an actuarial valuation is performed.
Business Combinations and Minority Interests (IFRS 3R)	• Acquisition-related and restructuring costs are expensed as incurred and contingent consideration is recorded at its fair value on the acquisition date, and subsequent changes in fair value of the contingent consideration classified as a liability are recognized in income. • Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. • Non-controlling interest is presented as a separate component of shareholders' equity.
Related party transactions	• Recognition and measurement of some related-party transactions may differ under IFRS.
Share-based Payment (IFRS 2)	• The liability related to share-based payments made to employees that call for settlement in cash is recognized at fair value at the initial grant date and remeasured at fair value at the end of each subsequent reporting. Each instalment is accounted for as a separate arrangement.
Provisions and Contingencies (IAS 37)	• A different threshold is used for the recognition of a contingent liability which could impact the timing of when a provision may be recorded.

This is not an exhaustive list of all the significant impacts that could occur during the conversion to IFRS.

Additionally, the Company is preparing a preliminary IFRS financial statement format in accordance with IAS 1, *Presentation of Financial Statements*, and is in the process of analysing the contractual implications of the new policy choices on financing arrangements and similar obligations. The effects on information technology, data systems, and internal controls are also being analysed; the Company does not expect that significant modifications will be necessary on conversion.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS beginning in 2010.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule. As the project advances, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development or in light of new information or other external factors that could arise from now until the changeover has been complete.

RISKS AND UNCERTAINTIES

The Company operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Company's operating environment and financial results may be materially affected. These risks are not the only ones that may affect the Company. Other risks and uncertainties, which the Company is unaware of or deems negligible at this time, could also have a considerable negative impact on its financial situation, its operating results, its cash flows or its activities.

SEASONALITY

The Company's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Company serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Company's financial results. In addition, because the Company's operations are labour intensive, its cost structure is highly fixed. During periods of economic contraction, revenue may decrease while the cost structure remains stable, resulting in decreased earnings.

OPERATIONAL RISKS

Competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from conventional television stations and networks, specialty channels, radio, local, regional and national newspapers, magazines, direct mail and other traditional communications and advertising media that operate in the Company's markets. The arrival of new technologies, including video-on-demand, the Internet, personal video recorders and high-definition television, also influences the Company's operations. The markets in which the Company operates are dealing with the multiplication of possible distribution platforms, including the Internet, wireless telephony, video-on-demand, mobile television and any other future technology that may be marketed in future. This evolving technology can, however, open up business possibilities for the Company, creating the opportunity for it to distribute its content on all available platforms. Its competitors include both private companies and government-owned players. In addition, increasing consolidation in the Canadian media sector is creating competitors with interests in different industries and media.

In addition, the broadcast signals of the Company's specialty channels may be stolen sometimes, thereby representing a risk. Lastly, the Company's migration from an analog signal to a high-definition (HD) signal also presents certain challenges in regard to execution and involves major investments. A delay in implementing the HD technology could have a negative effect on the Company's operations and financial situation.

RISKS RELATING TO CHANGES IN ECONOMIC CONDITIONS AND FRAGMENTATION OF THE MEDIA LANDSCAPE

Advertising revenue is the primary source of revenue for the Company. Its revenues and operating results depend on the relative strength of the economy in its markets as well as the strength or weakness of local, regional and national economic factors, since these economic factors affect the levels of television and magazines advertising revenue. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising.

The proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have resulted in greater fragmentation of the television viewing audience and a more difficult advertising sales environment.

RISKS RELATING TO THE POSSIBILITY THAT OUR CONTENT MAY NOT ATTRACT LARGE AUDIENCES, WHICH MAY LIMIT OUR ABILITY TO GENERATE ADVERTISING REVENUES

The revenues of the Company are derived in large part from advertising revenues. Advertising revenues are largely dependent upon audience acceptance, which is in large part a function of the content and quality offered, and is influenced by factors such as reviews by critics, promotions, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment, general economic conditions, public tastes generally and other intangible factors. In addition, the increase in narrowcast programming or specialty services in Canada has caused the conventional television audience to become increasingly fragmented. These factors continue to evolve rapidly and many are beyond our control. Lack of audience acceptance for our content or shrinking or fragmented audiences could limit our ability to generate advertising revenue. If our television operations' ability to generate advertising revenue is limited, we may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that we would be able to develop any such new financing sources, and any such limitation of our ability to generate revenue together with an inability to generate new financing sources could have a material adverse effect on our business, financial condition and results of operations.

CREDIT RISKS

The concentration of credit risk with respect to trade receivables is limited due to the Company's diverse operations and customer base. However, the Company is not protected from its customers' failure to meet their contractual obligations, especially during difficult economic times. As at December 31, 2009, no customer balance represented a significant portion of the Company's consolidated trade receivables. In addition, the provision for bad debt was established taking into account the financial difficulties of some of our customers' industries.

RISKS RELATING TO THE FACT THAT PROGRAMMING CONTENT MAY BECOME MORE EXPENSIVE TO ACQUIRE AND PRODUCTION COSTS MAY INCREASE

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect the results of operations of the Company. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures.

GOVERNMENT REGULATION RISKS

The Company is subject to extensive government regulation mainly through the *Broadcasting Act* and the *Telecommunications Act*, both administered by the CRTC. Changes to the regulations and policies governing broadcasting, the introduction of new regulations or policies or terms of licence could have a material effect on the Company's business, financial condition or results of operations. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Company is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Company's positions and interests may negatively affect its activities and operating results.

GOVERNMENT ASSISTANCE RISKS

The Company takes advantage of several government programs designed to support production and distribution of televisual products and movies and magazine publishing in Canada. Any future changes in the rules of application of these government programs may have a significant impact on the Company's operating results.

DISTRIBUTOR RISKS

For the distribution of its specialty channels, the Company relies on broadcasting distribution undertakings (BDU) (including cable and direct-to-home satellite broadcasting services as well as multichannel multipoint distribution systems). Operating revenues could be negatively affected if affiliation agreements with BDUs are not renewed according to terms and conditions similar to those in effect at this time. Affiliation agreements with BDUs extend over several years and come to term at different times. The Company is confident that it will be able to renew its agreements according to terms and conditions that are satisfactory to all parties.

RISKS RELATING TO THE IMPACT ON THE COMPANY'S BUSINESS OF THE LOSS OF KEY MANAGEMENT AND OTHER PERSONNEL, OR THE INABILITY TO ATTRACT, RETAIN AND MOTIVATE SUCH MANAGEMENT AND OTHER PERSONNEL

The Company depends on its management team and other key personnel to run its business. The loss of any of these individuals could adversely affect the operations of the Company. Due to the specialized nature of its business, the Company believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly-skilled management, programming, technical and marketing personnel. Competition for highly-skilled individuals is intense, and there can be no assurance that the Company will be successful in attracting, retaining and motivating such individuals in the future.

RISKS RELATING TO LITIGATION AND OTHER CLAIMS

In the normal course, the Company is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management of the Company, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on its results, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

FINANCING RISKS

The Company is fully financed for its current activities and has access to a $100,000,000 credit facility (the "facility") that will mature on December 11, 2012 as well as a $75,000,000 term loan repayable on December 11, 2014 at a 5.54% fixed interest rate. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital for a portion of our capital. There is no guarantee that additional funds will be made available to the Company, or that if they are, that they will be provided within a time frame and under conditions that are acceptable to the Company. Not being able to obtain this additional financing, at the required time and if necessary, could have a significant negative effect on the Company. However, this risk is mitigated by the fact that the Company has access until December 11, 2012 to the unused portion of this facility, which stood at $84,515,000 as at December 31, 2009. The Company could also finance its future capital needs using cash provided by operations or by a public issue of shares.

ECONOMIC ENVIRONMENT RISKS

The Company's operating revenues and results are and will continue to be influenced by the general economic environment. During an economic slowdown or a recession, buyers of the advertising have historically reduced their advertising budget. As a result, there is no means of guaranteeing that the Company's operating results, outlook and financial situation are protected against any and all negative effects.

LABOUR RELATIONS RISKS

As of December 31, 2009, approximately 62% of the Company's employees were unionized. The Company is party to 14 collective agreements, of which 5, accounting for 78% of the

Company's unionized employees, had expired as of December 31, 2009. Bargaining to renew the expired collective agreements is either underway or will be conducted in 2010. The other collective agreements will expire on dates ranging from April 2011 to December 2013. In accordance with provincial and federal legislation on the status of artists, the Company is also party to two collective agreements with associations representing the freelance artists whose services the Company uses in its productions. As of December 31, 2009, two collective agreements were in force, one with the Union des artistes and the other with the Société des auteurs de radio, télévision et cinéma. Negotiations are underway for renewal of the latter agreement.

The Company has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Company cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation or the renewal of collective agreements. Nor can the Company assure you that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If TVA Group's unionized workers engage in a strike or if there is any other form of work stoppage, the Company could experience a significant disruption of its operations, damage to its property and/or service interruption, which could adversely affect its business, assets, financial position and results of operations. Even if the Company does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict TVA Group's ability to maximize the efficiency of its operations. In addition, TVA Group's ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

PENSION PLAN OBLIGATIONS RISK

The economic cycle could also have a negative impact on the funding of TVA's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Company's operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by TVA Group and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of the Company's defined benefit pension plans are no longer offered to new employees.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Company's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR) was conducted. Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer, have concluded that DC&P and ICFR were effective as of the end of the year ended December 31, 2009, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the company must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that the Company's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with the GAAP.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period commencing on October 1, 2009 and ending on December 31, 2009.

ADDITIONAL INFORMATION

The Company is a reporting issuer under the securities acts of all the provinces of Canada; it is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of said documents may be obtained free of charge on request from the Company or on the Internet at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The statements in this Management's Discussion and Analysis that are not historical facts are forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Company's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), capital investment risks, credit risk, government regulation risks, governmental assistance risks, general changes in the economic environment and the labour relations. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, Please refer to the "Risks and Uncertainties" section of this Management's Discussion and Analysis and to the Company's public filings at www.sedar.com and www.tva.canoe.ca.

The forward-looking statements in this Management's Discussion and Analysis reflect the Company's expectations as of March 8, 2010, and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montréal, Québec
March 8, 2010